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ECONOMIC AFFAIRS

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CHINA REPORT ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

CONDUCT OF PROJECT APPRAISALS STRESSED

Taiyuan JIXU JINGJI YU GUANLI YANJIU in Chinese No 1 31 Mar 83 pp 9-12

/Speech by Ma Hong /7456 3163/: "Do a Good Job in the National Economic Appraisal of Construction and Renovation Projects" at the symposium on economic appraisal of construction and renovation projects; date and place not specified/

/Text/ The project appraisal we are talking about here includes appraisals of enterprises and national economic appraisals, with emphasis on the latter, and includes the appraisal of social effects. Our purpose is to thoroughly discuss this question.

We have convened some meetings on feasibility studies concerning major projects, made approaches to enterprises' economic appraisals of projects and reached relatively unanimous agreements on the contents and methods of such appraisals. By comparison, our study of the question--how on the basis of the overall national economy, to proceed in appraising engineering projects--is insufficient. Our country is a socialist country practicing a planned economy. The nature of socialism and a planned economy demands that we not only conduct economic appraisals of a project from the viewpoint of enterprises but also conduct a national economic appraisal of a project from the viewpoint of the State and the whole society. If the conclusion of a project's national economic appraisal is at odds with the interests of the state and society, this project will be undesirable even if its enterprises' economic appraisal proves that it is lucrative. In the past few years, we have built many small cigarette plants and textile mills. They probably can make profits as far as individual projects are concerned. However, they are uneconomical judging from the viewpoint of the state, because the production capacity of our cigarette plants and textile mills has surpassed our production of tobacco and cotton and chemical fibers. Moreover, our products are monotonous in color and design and poor in quality. We are also short of energy supplies. The same is the case in many small wineries. Such blind excess construction is not only useless but also harmful to the whole national economy. Therefore, considering questions based only on the interests of individual projects and not on the interests of the whole national economy is out of the question.

In the past few years, many research, designing and advisory units in our country have conducted feasibility studies and have basically mastered the methods of feasibility studies, including project appraisals and economic appraisals of enterprises. They have also made initial approaches to the national economic appraisal of projects. The reason we have made great achievements in this work is primarily that since the 3rd Plenary Session of the 11th Party Central Committee we have summed up past experiences and lessons in economic construction, wiped out the "leftist" influence, begun changing the phenomena of violating capital construction procedures and ignoring economic results and called the people's attention to preliminary studies prior to making an investment decision. Especially since "the Resolution on Several Historical Questions of the Party Since the Founding of Our Country," which was adopted at the 6th Plenary Session of the 11th Party Central Committee, repeatedly emphasized the scientific bases for major construction projects, more and more leading organs and working personnel have paid attention to this work.

The fighting goal set forth by the 12th Party Congress for our country's economic development by the end of this century is: "Striving to quadruple the gross annual value of industrial and agricultural production on the premise of improving economic results." This magnificent fighting goal has enormously inspired the people throughout the country and also set forth a higher demand on our work. We must do what Comrade Hu Yaobang urged us to do in his report at the 12th Party Congress--"bring all economic work to a course which is centered on economic results." To attain the goal of quadrupling the gross annual value of industrial and agricultural production, on one hand, we should rely on technical renovations of existing enterprises. On the other hand, we should carry out new construction projects on a relatively large scale. During the "Sixth 5-Year Plan" period, 360 billion yuan is to be invested in fixed assets and 279 major construction projects and about 300 preparatory projects are to be undertaken simultaneously. All of these projects need to have feasibility studies and national economic appraisals.

The feasibility study provides methods of technical and economic appraisal for improving the economic results of construction projects. The national economic appraisal of a project provides an important basis for making correct policy decisions on investments, making it possible for us to avoid policy-related errors in economic construction. In the past, departments, provinces and municipalities all too often ignored the economic results of investment. Without mentioning cases which happened long ago, data compiled by the Statistics Bureau shows that during the last 3 years, 279 large- and medium-sized projects have been completed and put into operation. Of these, the 67 projects, or 24 percent, which have had poor economic results, are those which account 46 percent of the total investment; especially worth noting, among the nine projects imported from foreign countries, six have poor economic results. Therefore, doing a good job in national economic appraisal work is of extremely important significance in achieving the fighting goal of economic development for the year 2000.

In order to achieve the fighting goal of economic development, our economic work must be grasped firmly and in a down-to-earth manner. To really do so, we must guide comrades on all fronts in understanding new things, studying new situations, solving new problems, discussing new experiences and getting rid of conventional and outmoded ideas unsuited to new situations. To meet the needs of the new situation of economic development, we should study our existing rules and regulations, systems and business provisions and find out which suit the new situation and meet our needs and which do not and how to improve them.

At present, we still have quite a few problems in conducting feasibility studies. First of all there are different points of view. Some comrades hold that in appraising projects in the past few years we have mainly adopted Western methods of feasibility studies and these methods are not much different from the methods of technical and economic analysis prior to undertaking construction projects which we had learned from the Soviet Union. They feel there is no need to adopt new methods of feasibility studies. We must see that in recent years the Soviet Union has also absorbed things useful to them from Western methods of feasibility studies. Why should we adhere to the old ways of the Soviet Union and not improve our methods? Second, in conducting national economic appraisals, we lack some essential data. This problem can be completely solved through effort. During the First 5-Year Plan period, we carried out 156 large construction projects, did a great deal of systematic investigations prior to construction, collected relatively complete data and created good conditions for smoothly carrying out the construction work. Why are we unable to do so after more than 20 years?

In view of our experiences and lessons in economic construction over 30 years or so, leading comrades of central authorities recently repeatedly emphasized the importance of the work prior to investment decisions. On 26 July 1982, Comrade Xiaoping told leading comrades of the State Planning Commission; "We should strengthen the preliminary work of large construction projects. Much work has been done for the Sanxia project. Of course, projects on such a big scale should not be started hastily. We should concentrate preliminary work on coal, electricity and oil projects and strive to do it as soon as possible before construction starts. The construction of many projects in this regard takes 7 to 8 years and many of them should start in the Seventh 5-Year Plan period. Therefore preliminary work for them must not be carried out too late." "In sum, you must conscientiously grasp the following tasks: the long-term plan, the preliminary preparatory work of major projects, the technical transformation program of enterprises and the program of utilizing intellectuals." On 14 October, Comrade Xiaoping again talked to Comrade Song Ping about the need to firmly grasp and do a good job in the preliminary work of 279 major construction projects. On 10 November, Premier Zhao Ziyang emphatically pointed out at a briefing of the National Planning Work Conference: "The preliminary work of many construction projects such as feasibility studies, prospecting and designing have been done carelessly. More often than not, people strive to get the approval of

Subjects first and then to back it up with work. As a result, all kinds of problems arise when construction starts or the project is under late operation. This is an enormous waste. We have had many cases in this regard.

A hotel in Long County in Shaanxi Province belonging to the Seventh National Five-Year Building Industry was recently washed away by floods. "Washed" the money that was invested, it was destroyed too easily. It is difficult to estimate if they could not make up such a loss even by selling themselves. Why did we not collect complete geological and hydrological data in advance? This reflects irresponsibility toward the people. Of course, we did not have experience in the past. We must not let this happen again. If we fail to do a good job in the preliminary work, we will rather postpone the construction." In the "Report on the Second Year Work" Premier Zhao Ziyang again recently pointed out: "All construction projects must be undertaken in strict compliance with the procedures for capital construction. No project shall be included in the annual construction plan, much less started hastily, without prior feasibility studies and technical and economic appraisal, or without such preliminary work as adequate prospecting and designing. Whoever violates this regulation must be held to account." Therefore, we must adopt great resolve and spare no effort in doing a good job in the preparatory work prior to the correct investment decisions. Whether this work is called a feasibility study, technical and economic analysis or project appraisal is insignificant and does not affect the essence of the matter. What is important is how to do a good job in this work.

As to the foreign methods of project appraisal, we can absorb everything that is useful to us. The key is how to digest them, how to utilize them in light of our country's actual conditions and how to adapt them to our national conditions so as to serve our needs.

I would like to discuss how to solve the following three questions;

1. First the question is the national economic appraisal for construction projects and projects. This is required for working out the content of a feasibility study report. A new question raised during the course of a study of the content is the appraisal of social and economic results--social and economic appraisal. Therefore, many questions need to be discussed and studied. What kind of index systems and accounting methods we should adopt, how to solve feasibility questions concerning various kinds of projects, how to fix the exchange rate and social converting rate and how to calculate prices under the current situation of prices and wage-paying system to each other--these all need to be discussed and studied. We need criticism and suggestions for them. In the past, some comrades have said that they hoped an authoritative department of the state would compile such standards and figures. But currently such work should be first undertaken at lower levels and then at higher levels. All departments or provinces and all departments should do some research on their own, experiment for a period and sum up their experiences. Then, the State

and theoretical guidance from both the natural and social sciences.

Little over the more than 30 years since the founding of our country has repeatedly proved to us that many questions in socialist modernization cannot be properly solved if we take into consideration only natural science and engineering technology or only social sciences. For example, when we judge whether a project should be approved, we should not only see whether it is technically advanced and reliable, but also whether it is economically beneficial; we should consider not only the efficiency of a single project but more importantly its efficiency in light of the national economy as a whole. This requires close coordination between the natural and social sciences. This is the first point.

The second point is: With production forces quickly developing and science and technology improving day by day, a new tendency whereby natural and social sciences interact with each other has appeared, resulting in some frontier sciences which in one sense belong to natural sciences and in another sense belong to social sciences such as systems engineering, value engineering, quantitative economics, managerial science and so on which are prevalent abroad and which we are now carefully studying. These new sciences play a more and more important role in social and economic development. For example, some comrades have written articles to advocate systems engineering and contend that our national economic and social development plan should be studied and designed as an engineering project in accordance with the principle of systems engineering. This explains why social science workers and natural science workers should learn from each other and that especially social science workers need to learn from natural science workers with an open mind. This is because what social science workers know about natural sciences is inadequate and poor by comparison. The study of relevant natural sciences by social science workers is as important as well as the study of relevant social sciences by natural science workers. Our social science workers should learn from natural science workers.

The third point is: The development of social sciences enables conventional sciences to absorb and utilize more and more modern results of science and technology. If our social science workers want to keep abreast of the times and fulfill their important tasks, they must absorb new knowledge. In recent years, Beijing University has introduced a course in foreign modern economics for some economists. Quite a number of comrades taking the course have said that they do not understand it. I have also heard about it in other courses. Having worked at the Chinese Academy of Social Sciences in the past few years, I deeply feel that comrades engaged in economic research work have too little knowledge of economics. We only have qualitative concepts and very little in quantitative concepts. Without quantitative ideas, seriously studying economic and solving practical economic problems are out of the question. Comrade Zhao Ziyang said: "From now on, no document sent by departments to the State Council for consideration will be discussed only in qualitative concept and not a quantitative concept." I think this demand is very correct and reasonable. It is a demand on comrades engaged in practical economic work as well as a demand on researchers of economic sciences. To meet this demand, we must study new knowledge.

Planning Commission and other comprehensive departments will have conditions for conducting unified and coordinated work. It is unrealistic to ask the state's comprehensive departments to come up with a complete index system and standard accounting methods and parameters. However, we should work toward this goal and, through thorough theoretical studies and on the basis of broad practice, formulate unified standard methods of project economic appraisals suited to our country's conditions. In order to attain this goal, it is hoped that all of us will make suggestions on how to conduct work in the next stage.

2. Make suggestions for revising the provisional regulations (discussion draft for) governing the feasibility studies for construction projects. The draft regulations have been revised and discussed many times at the National Planning Work Conference, but they are still imperfect. I hope that through discussion we can work out a revised draft and help the State Planning Commission to finalize these regulations as soon as possible.

At present, the absence of unified requirements and regulations for conducting feasibility studies has given birth to such phenomena as doing everything in accordance with the intention of construction unit leaders instead of scientific analysis of objective facts and drawing up several pages of feasibility study reports in only 2 or 3 days. Such perfunctory behavior is extremely harmful. Therefore, the formulation of some regulations which are practical and easy to carry out is extremely necessary.

How to carry out the work organizationally. We may consider establishing a permanent organization formed by comrades engaged in research and practical work or relevant planning and designing institutes, advisory companies, institutions of higher education, research institutes, construction banks and comprehensive economic departments. The basic tasks of this organization are: organizing activities regularly to conduct research of key issues and popularize the applications of research results on the basis of division of work; organizing exchanges of major data of project appraisal with foreign countries and making suggestions for the training of advisory personnel. This can help us do a better and faster job in our project appraisal work. Please also consider whether this organization, and several other special groups, can be added to the special research groups under the technical and economic research center of the State Council.

Here, I would like to dwell on another question; that is, the question of cooperation between social science workers and natural science workers. To create an all-round new situation in socialist modernization and fulfill such a significant task as the four modernizations, we desperately need all-round cooperation among natural science workers, engineers, technicians and social science workers. At the same time, we need to maintain close ties and to work together with the broad masses of workers and peasants. Otherwise, this task cannot be successfully fulfilled.

The reason is very clear: Since the general task of socialist modernization involves complicated questions concerning natural sciences and engineering technology as well as complicated questions concerning social sciences, we

The fourth point is: Along with economic and social development, scientific research personnel have been required to understand certain natural sciences subjects and certain social sciences subjects. Of course, it is impossible to make such a demand on all scientific research personnel, but it is possible for one to withstand a certain specialized subject of natural sciences or engineering technology and understand a certain social science as well. Such a tendency has taken place in economically and technically developed countries. For example, at America's Harvard University, Massachusetts Institute of Technology, Stanford University and other management institutes, many students simultaneously major in two degrees--one in certain subject of natural sciences or engineering technology and one in certain subject of social sciences. American society considers such people most useful to society, that they are "golden passport" bearers and, therefore, their pay is also the highest. I think we should encourage this, because such people are very helpful to realizing the four modernizations. The fact that such people should master one specialty first before they study another one explains that social science workers and natural science workers should learn from each other.

The last point is: Conducting feasibility study and project appraisal is a work involving comprehensive subjects including natural sciences, engineering technology and social sciences. Now we have experts both in natural sciences and engineering technology and experts in social sciences. If we discuss our problems together, we can better solve our problems. This is a good beginning. From now on our experts in both fields should maintain closer ties with each other and create more and more opportunities for joint discussion and study so as to learn from each other's strong points and offset their weaknesses. By so doing, they will make greater contributions to the cause of socialist modernizations in our motherland.

Our country is a socialist country adopting the principle of a planned economy supplemented with market regulation. Compared with capitalist countries, we have higher objective possibility of achieving higher economic results. However, this possibility is not the same as reality. To change this possibility into reality, we need to do painstaking work. As far as the results of the whole national economy are concerned, it depends on the work at three levels. The work at the first level is the national economic development plan, which reflects the highest interests of the national economy as a whole. Since this plan embodies the highest interests of the whole, all sectors must be subject to it. The work at the second level is the plan for trades and professions or departments. We should have a national plan for trades and professions. The duplicate and blind construction which I discussed a while ago is related to the lack of a rational plan for trades and professions. This plan should be subject to the national plan. The work at the third level is the plan for projects and enterprises; in other words, it is the analysis of the economic results of projects and enterprises. What we are discussing now is how the economic results of projects and enterprises meet the requirements of the plan for trades and professions and the requirements of the general national plan. This is also what we have mentioned--conducting the national economic appraisal of projects and enterprises. Only by doing a good job in this work can we achieve best results in the whole national economy.

I hope the discussion of these questions can promote preliminary studies of state investment and contribute to creating a new situation in socialist construction.

NATIONAL POLICY AND ISSUES

ROLE OF TAIYUAN AS KEY SHANXI CITY DISCUSSED

Taiyuan SHANXI RIBAO in Chinese 21 Feb 83 p 2

[Article by Wang Maolin [3769 5399 2651]: "Give Play to the Role of Key Cities in Organizing the Economy"]

[Text] The administrative system must suit the needs of social and economic development and promote the development of the cause of socialist construction. Early on the eve of the founding of the state, Comrade Mao Zedong clearly pointed out in his report to the Second Session of the 7th Party Congress: "From now on, the period of going from the cities to the countryside and for cities to lead the countryside has begun." He also pointed out that "The cities and the countryside must be cared for at the same time. We must closely integrate the work between the cities and the countryside, workers and peasants, and industry and agriculture." This is a guiding principle of strategic significance. It is also an important topic in the current restructuring of the economic system.

Cities are the political, economic and cultural centers of a region. Along with the development of economic, scientific, cultural and educational tasks, the key role of cities is becoming increasingly clear. The social and economic system is an indivisible whole, cities and the countryside, industry and agriculture are mutually related and interdependent. The leadership of the cities over the countryside is a manifestation of the intense relations of the national economy and is in accord with the objective laws of social and economic development and with the needs of realizing the four modernizations.

In Shanxi, with the key city of Taiyuan as support, an organic whole is formed by its connections with the neighboring Yuci, Taigu and Xinxian Counties and other economic regions, forming an economic whole--an economic center, which promotes the division of work and cooperation among regions, and breaks through regional boundaries. This is the important substance of readjustment and restructuring of the economic system in our province and is an important measure in developing the national economy in our province.

I

There are very favorable conditions in giving play to the role of the key city of Taiyuan in organizing the economy.

Taiyuan is a noted industrial city in the country as a whole. It is the capital of Shanxi Province, the political, economic and cultural center of the whole province and is one of China's regions which are relatively rich in subterranean resources. Besides coal mines which are found throughout all of its districts, in its eastern and western foothills are hidden large quantities of almost 20 different mineral resources including iron, gypsum, limestone, clay as well as vulcanized iron, copper, manganese, aluminum, zinc and lead. Rich in its material base and extensive in its economic relations, Taiyuan is a pivot for the commercial, trade, material and communications turnover of the whole province, an important strategic area, and has an important place in the national economy.

Taiyuan is also a historically famous ancient city. It has a history of 2,400 years since the time when Dong Anyu built the city of Jinyang, 1,000 years from the time when Panmei expanded the town of Tangming and rebuilt the city of Taiyuan. Since ancient times, Taiyuan's handicraft industry, iron and steel metallurgical and casting industry and brewery industry have been relatively developed. Its commerce has also been prosperous.

Taiyuan is the center of economic activities in Shanxi. It has a great influence on the economic development of neighboring regions.

After liberation, enormous changes further took place in Taiyuan. Its industrial and agricultural production, cultural and educational undertakings have grown and it has been built into a heavy industrial city predominant in metallurgy, machinery, coal and chemical industry. Its present annual total industrial output value is 88 times that of the early period of liberation and is responsible for the production of quite a few key products. Its total industrial output value and local revenue represent a third of the entire province. It has a decisive role in the entire national economy of Shanxi. In concrete terms:

(1) After liberation, large-scale industrial construction has been carried out in Taiyuan. Its industrial categories are relatively complete and it has everything one expects to find including the 14 main industrial categories such as metallurgy, coal, machinery, chemical industry, textile, light industry and electronics, forming a relatively complete industrial system. Its metallurgy, coal, chemical industry and machinery play a very important role in the country as a whole. The city has a comprehensive ferrous metallurgical industry formed from iron smelting, steel smelting, rolling materials and fireproof materials whose output of steel is 83 percent of the provincial total; a nonferrous metallurgical industry that produces copper and aluminum; the Shanxi Mining Bureau whose coal industry has an annual output in tens of millions of metric tons; the nationally famous coking coal base--the Gujiao mining area is under construction; a machinery industry formed from production in metallurgy, hoisting, mining, heavy machinery, farm machinery, machine tools, motor vehicles, as well as industrial measuring instruments, precision instruments and others; the relatively large-scale, comprehensive and basic chemical

industry; and a building material and new building material industry which is considerably developed. Among new and developing industries it has the only television manufacturing plant in the whole province, a radio plant which has an annual output capacity of 200,000 sets, and a corresponding group of parts plants. In the textile industry it has the Shanxi Textile Mill which is the largest in the province, the Shanxi Knitted Goods Plant and the Shanxi Wollen Textile Mill. It also has a light industry which is predominant in papermaking, leather, cigarettes, food, glass utensils, bicycles and washing machines with an output which is 37 percent of the provincial total. Its pharmaceutical industry also has an important place in the province.

(2) Culture education, science and technology in Taiyuan have developed considerably and Taiyuan has become the cultural, scientific and technological center of the whole province. Today the municipality has 43 scientific research institutions, 9 colleges and universities, 32 technical secondary schools and 107 ordinary middle schools which shoulder the task of training and educating all types of talent for the whole province.

The 41 natural science research institutions in the municipality have over 7,600 technical and research staff workers most of whom belong to national scientific research institutions and who are responsible for important topics for the whole country and the whole province. The municipality already has a contingent of scientists and technicians with a relatively high technical level. Scientists and technicians of all types total more than 17,000, over 6,000 of whom are of high or middle ranks and over 8,000 of low ranks (both excluding medical personnel).

(3) Taiyuan has relatively advanced science and technology, production technology and management experience. For over 30 years the industrial enterprises, scientific research units and colleges and universities in Taiyuan have installed a group of high-graded, precision and advanced equipment which enjoys notability in a number of realms and is high in suitability.

(4) Taiyuan is the center of commerce, trade and the exchange of goods and materials in the whole province. Commercial information is speedily accessible there and it can promote and influence commodity exchange in neighboring regions. The total annual commodity resale value in Taiyuan Municipality is 17.4 percent of the provincial total. The percentage is even greater if we include wholesale.

(5) Taiyuan is the hub of communications in Shanxi. Its highways, railroads and aviation form the link that joins the provincial industrial and agricultural base and the whole country. In over 30 years it has built 13 large rail freight marshalling stations and passenger train stations, repaired and built 662.5 kilometers of trunk railway and special railway lines, built a new civil airport, built coach stations,

freight transport stations and other communications and transport facilities. The Taiyuan railway hub is an important axis of China's railways. The Tongpu Railway which runs south-west of Shanxi, connects with the Jingbao line in the north, the Shitai and Jingguang lines in the middle, and in the south the Longhai line which runs east-west across China, thus connecting Shanxi, its neighboring provinces and the northern and southern parts of the motherland.

Summarizing the above, from ancient to modern times Taiyuan has had a very important position in the north China region. At present Taiyuan's industry is developed, its economic relations are extensive and is rich in its material base. It is one of China's important cities.

II

In order to truly give play to the role of Taiyuan Municipality as a key city in organizing the economy, we must readjust production relations, carry out the necessary restructuring of the economic management system so that it will suit the needs of production development. We must use Taiyuan Municipality as the center, combine it with neighboring Yuci, Taigu and Xinxian Counties and other economic regions, and organize a rational economic network. The economic center should not be restricted by the administrative region but should develop economic activities in accordance with natural economic relations and the principle of obtaining the best economic results. For this we must combine the reorganization and integration of enterprises with simplifying the administrative structure, gradually and rationally readjust the subordinate relations of enterprises. Besides, we must have a complete set of policies that benefit the development of the economic center and enliven the economy, and appropriately expand various economic jurisdiction of the key city. We must try hard to build Taiyuan into Shanxi's economic center and center of science and technology, construct for the four modernizations and contribute to promote Shanxi's national economic growth.

To give play to the city's role as an economic center, other than a minority of enterprises which have a major influence on the national economy and some nationwide enterprise corporations, the majority of enterprises should gradually come under city management. The city must be responsible for doing its best in coordinating enterprises under its management and in centrally organizing specialized production and social services. The enterprises should manage themselves independently and keep business accounting independently. The departments in charge of trades in enterprises managed by the city must proceed from the whole province, be responsible for stressing development plans, the implementation of economic policies, technological transformation, development of new products and other tasks. In improving the planned management system, under the prerequisite of persisting in carrying out a planned economy, they can give play to the supplementary role of market regulation, and according to the role of products in the whole province they can divide products into those which are provincially planned and arranged and those which

and municipally planned and arranged. These two categories of products can be divided into those which are commanded and those which are guided according to their role in the national economy and people's livelihood. Command plans must be issued for those products which play an important role in the national economy and people's livelihood and the necessary control must be exercised. All products must be incorporated into the provincial or municipal plans in accordance with these two types of conditions. The plan for the varieties and quantities of products which the province arranges for the city-operated enterprises must be assigned to the appropriate bureaus or corporations, which are in turn assigned to the enterprises by the municipal bureaus (corporations). In principle, whoever arranges for a product plan should be responsible for linking up its production, supply and sale and strive not to leave a gap. The industrial raw materials which provincial departments and bureaus are responsible for distribution and management should also be distributed among appropriate municipal bureaus and corporations, which will in turn assign them to enterprises according to actual production advance. Gradually we will achieve no warehousing or accounts for all departments and bureaus of the province and city, which will merely be responsible for distribution of targets and management. Material management departments and enterprises will be responsible for warehousing to reduce the intermediate links and turnover time, avoid additional management fees at every level and higher cost for the enterprises.

As for the material management system, first we must change the practice in our province in material management which is predominated by rules and regulations. We should revive unified management by the city over municipal material bureaus and their affiliated corporations including petroleum corporations. A unified material management organ should be established according to the objective law of the flow of goods and materials in order to establish lateral economic relations and to do well in the circulation of materials of the key city and its services. We should build an open market circulation according to economic relations.

In terms of the commercial system we must organize the circulation of commodities according to economic regions and establish a unified commodity wholesale organ. We should combine second and third grade wholesale stations in Taiyuan region and put them under the city's leadership in order to simplify the administrative structure and reduce the staff, increase work efficiency and regulate the relations between industry and commerce. This will benefit the development of a unified socialist commodity market.

In terms of the finance system, we must show that the key city's comprehensive development plan is safeguarded financially. To determine what revenue should go to the province and the city, we must base ourselves on giving play to the role of the key city, promote the development of the municipal economy as an overall consideration so that the key city will have a fixed source of revenue. We must gradually follow the principle of combining right and responsibility, stabilizing and linking both revenue and expenditure, build an independent finance system for the key city and practice a financial contract system.

We must give certain authority to the key city. According to the needs of the state plan a key city can have the right to carry out comprehensive balance, unified planning and unified arrangement of new items and newly increased capacity. It can conduct overall coordination of various funds from different areas and control redundant construction. We must definitely entrust Taiyuan with the authority to conduct overall planning, reorganize industrial integration and organize the cooperation of various specialities. We must permit the key city to raise local funds within a definite scope such as the collection of motor-driven vehicle license fees, country fair trade fees and other local taxes.

We must strengthen the lateral relations of the key city and organize transregional and transdepartmental integration. We must proceed from the characteristic of the favorable conditions of Taiyuan industry, develop various forms of integration and organize different types of economic unions (some of which can be substantial and some can be loose). Such unions can be organized among industry itself, the whole people and the collective, between industry and agriculture and industry and commerce. In order to give play to the key economic role of Taiyuan Municipality today, we must center around expanding the production of consumer goods and the food industry and around the cooperation and integration of neighboring counties and other industrial and agricultural economic regions, create all convenient conditions for them, allow neighboring regions to establish stores and plants in Taiyuan which can be jointly or unilaterally operated. We must actively supply technical installations and processing techniques. In promoting the development of industrial and agricultural production of neighboring economic regions we can also enable fraternal provinces and municipalities to invest on the construction in Taiyuan, develop the production of coal, cement, calcium carbide and glass in order to give play to the favorable conditions of Taiyuan. Through the reorganization of enterprises we should rationally organize the productive forces, conduct the separation between enterprises and government and expand economic benefits in accordance with trades driving industry to reorganize.

We must make the key city truly the center of culture, education, science and technology as well as the base for training talents. The key city must not only produce goods but also talent. We must do our best to operate colleges, universities and scientific research institutions, gradually increase the number of students attending colleges and universities, and increase some necessary scientific research institutions particularly those on economic research. We must use various forms to increase the educational and technical level of staff workers currently holding jobs in order to suit the needs of economic development, make Taiyuan into an economic center which can make scientific, technical, cultural and educational undertakings in our province prosperous, and one which has a large number of scientists and technicians, advanced scientific and technological installations, and a good level of business management.

Such reform is beneficial to the overall planning for cities and the countryside, and will strengthen economic ties between the cities and the countryside, gradually form an economic region with the cities as the center, the countryside as the base and the key city as the link, combining cities and the countryside, overall and local units, and agriculture, industry and commerce. It is beneficial to using the stronger cultural, educational, scientific and technical resources of the cities to promote building spiritual civilization in the countryside. It is also beneficial to simplifying the administrative structure and restructuring the economic management system, truly enabling the cities to lead the countryside, and combining the cities and the countryside so that they will work and advance together and initiate new conditions for the four modernizations.

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NATIONAL POLICY AND ISSUES

TARGETS OF GUANGDONG'S SIXTH 5-YEAR PLAN OUTLINED

Guangzhou NANFANG RIBAO in Chinese 5 Apr 83 p 1

[Report: "The Situation of Improving, Economic Vitalization is in Sight; Targets in Guangdong's Sixth 5-Year Plan are Heartening"]

[Text: When he discussed the basic tasks of the Sixth 5-Year Plan in his report to the First Session of the Sixth Guangdong People's Congress, the governor of Guangdong Province Liu Tianfu [0491 3944 1133] put forward the targets to be realized by Guangdong by 1985:

Gross industrial and agricultural output value of 46.4 billion yuan with an average annual increase of 6 percent, which is higher than the national demand;

1. Agriculture

- (1) Grain output of over 40 billion jin, an increase of more than 11 percent from 1980;
- (2) Sugar cane output of 17 million metric tons, an increase of 88.9 percent over 1980;

2. Energy resources

- (1) Thermal and hydro power installations for the generation of 2.4 million watts, completing and putting into production a million kilowatts with a generated energy of 14.5 billion kilowatt-hours, an increase of 28 percent from 1980 at an average annual increase of 5.1 percent;
- (2) Raw coal output of 7 million metric tons;

3. Posts and communications

- (1) Repair of the multiple track of the Hengyang-Guangzhou section of the Beijing-Guangzhou railway and the Sanshui-Yaogu section of the Guangzhou-Maoming railway, transformation of the Guangzhou-Shenzhen railway and increase freight capacity by 6 million metric tons;
- (2) Increase the handling capacity of harbors by 12,780,000 metric tons, increase ocean shipping by 790,000 metric tons;

- (3) Transform the main highways from Guangzhou to Shenzhen, Zhuhai and Meixian Counties, increase grade 2 highways by 442 kilometers and complete 21 large highway bridges;
- (4) Build two satellite communications ground stations in Guangzhou and Zhanjiang, the intermediate coaxial cable from Beijing and Hankou to Guangzhou, and microwave communication installation from Guangzhou to Xianggang, Haikou and Shantou;
- (5) Increase the number of telephones in large and medium-size cities by 100,000, the number of provincial long-distance communication lines by 1,530, and replace 22,000 rural telephone and exchange facilities;

4. Education and science

- (1) Increase the average annual expenses on education by at least 8 percent;
- (2) Increase the capital investment on general education and higher education within the capital investment of the provincial finance budget by 8 and 4 percent respectively;
- (3) Popularize the application of 33 key scientific and technological achievements including hybrid rice, organize the 42 solutions to key scientific and technical problems such as farm variety development by selection, high-yield cultivation techniques and energy conservation and development;
- (4) Strengthen the building of spiritual civilization, develop literature, art, movies, television and broadcasting, and expand newspaper and book publishing;

5. Others

- (1) Export US \$2.5 billion in foreign trade commodities, obtain an income of US \$160 million from "three comes, one compensation" and US \$720 million in local, non-trading foreign exchange earnings from overseas Chinese remittance and tourism;
- (2) Gross earnings from foreign exchange US \$3.38 billion;
- (3) The scale of building special economic zones, estimated to reach 3.8 billion yuan according to the volume of work completed;
- (4) Control the natural population growth rate of 12 per 1,000 and control the total provincial population to within 62 million people;
- (5) Build a new residential construction area of 22 million square meters in cities and town, 150 million square meters in the countryside.

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NATIONAL POLICY AND ISSUES

MINISTRY OF TEXTILE INDUSTRY STRESSES LOCAL INDEPENDENCE

Kunming YUNNAN RIBAO in Chinese 17 Feb 83 p 4

[Report by Li Anding [2621 1344 1353]: "Stress Major Matters, Lay Aside Minor Matters; Leading Comrades of State Council Affirms the Experience of the Ministry of Textile Industry in Giving Play to the Managerial Role of Departments"]

[Text] Without a single textile mill under its jurisdiction, the Ministry of Textile Industry has for many years concentrated its effort in doing its best in key matters for the entire industry including planned guidance, means of production, major technical policies and management by fixed standards, and has allowed localities and enterprises to manage their own daily, concrete work. As a result a lively situation of management which does not stifle or cause confusion has appeared throughout the industry. Leading comrades of the State Council feel that this management system of the Ministry of Textile Industry has provided beneficial experience for all industrial departments which are exploring the way to reform.

Beginning from the late fifties the Ministry of Textile Industry has put several hundred state-operated textile enterprises directly subordinated to it entirely under local leadership and has persisted in this for many years. After the enterprises were put under local management, leading organs of the ministry did not refuse to have anything to do with the matter but freed themselves from busy daily routine and have successfully stressed several major matters with the development of the entire industry in mind.

First, emphasis on planned guidance. Under the coordination of state departments in concern the Ministry of Textile Industry holds the right of centralized distribution of all textile raw materials. With this backing, it assigns command plans for textile products to the departments in charge of textile industry in various provinces, municipalities and autonomous regions, including the gross output of over 10 types of textile goods such as yarn, cloth, chemical fiber and wool fabric which are closely related to the national economy and the people's livelihood. Since cotton,

First, chemical fiber and other raw materials are assigned at the same time as production plans, it safeguards the implementation of the state plan and enables the several thousand textile enterprises scattered throughout the country to carry out production according to the demands of the state plan and to avoid a certain degree of blindness.

Second, emphasis on the means of production. Although the Ministry of Textile Industry does not have a single textile processing enterprise under its jurisdiction, it directly controls the almost 20 key textile machinery plants throughout the country and directly controls the design, manufacturing and distribution rights of textile machinery. In this way, it can arrange for the distribution of capital construction according to the industry's development plan, carry out the construction of new plants in a planned way, by stages and in groups, and technologically transform, improve and update key equipment of textile mills in various localities. The standardization, seriation and popularization of China's textile equipment are clearly ahead of other industries and are inseparable from a centrally managed machinery manufacturing system.

Third, emphasis on technical policies. China has a large population and a small territory, and its energy supply is relatively tense. As early as the fifties, the Ministry of Textile Industry proceeded from the actual conditions of the state and put forward key technical policies of simultaneously developing agricultural raw materials and chemical fiber and developing labor intensive type of technology by fully utilizing the original industrial base. These policy goals are clear and have been firmly implemented. In the design of new plants, scientific and technical projects and even daily production techniques, for over 20 years the whole industry has always stressed increasing the production efficiency of equipment and has not one-sidedly pursued automation. In the development of chemical fiber, for almost 20 years the textile industry uses a large portion of state investment on the production, application and development of chemical fiber. At present, the proportion of chemical fibers in China's textile raw materials has reached about one-fourth.

Fourth, emphasis on standardized management in the whole industry, formulation and popularization of unified technical standards, rules and regulations and advanced operating rules. For example, for the determination of raw cotton in the production of each article of yarn, a unified standard is formulated for all enterprises through extensive tests by the Ministry of Textile Industry. Such standards are scientific and rational, and are convenient to be followed and evaluated.

Besides, transregional technical cooperation and exchange, the organization of advanced coastal enterprises to assist inland enterprises and the organization of enterprise type of corporations based on textile enterprises in key cities have been developing every day in recent years. Their overall planning has been conducted by the Ministry of Textile Industry and implementation is divided between concerned regions and enterprises. The performance is full of vitality.

The emphasis on these key matters by the Ministry of Textile Industry is welcomed by localities and enterprises. They feel that it is good that many key matters which a region or an enterprise cannot do or manage even if it wants to have been earnestly managed by the Ministry of Textile Industry. The ministry proceeds from the development of the whole industry to consider problems and is in a position to have foresight. Not only does it put no restraints on the localities and enterprises but it put no restraints on the localities and enterprises but it enables enterprises to avoid blindness in developing production and construction.

This system of management which does not stifle or cause confusion has promoted stable and sound development of China's textile industry. At the end of the fifties China had less than 8,000,000 spindles but now the numbers has grown to over 19,000,000. Chemical textile has grown from nothing and is changing day after day. At present, not only can China's textile industry basically satisfy the clothing needs of 1,000,000,000 people. It also has sales in over 130 countries and regions in the world and is quite competitive in the world market.

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ECONOMIC PLANNING

CHONGQING CPC IDEAS ON ECONOMIC REFORM

HK211400 Beijing JINGJI GUANLI in Chinese No. 4, 5 Apr 83, pp 22-26, 14

[Article by Chongqing City CPC Committee and City People's Government:
"Suggestions for Carrying Out Comprehensive Reform of Economic Systems at
Selected Points in Chongqing"]

[Text] Editor's note:

Comrade Zhao Ziyang pointed out in his "Report on the Sixth 5-Year Plan": "We must give scope to the role of the cities, particularly that of big and medium-sized cities, in organizing economic activities." He noted that "production and circulation should also be unified, centering on the more economically developed cities, so as to carry along the surrounding rural areas and gradually form city-based economic regions of different sizes and types." This is an important direction for the reform of economic systems in our country. In December last year, members of the state committee for restructuring the economic systems and of the Sichuan Provincial CPC Committee and provincial government came to Chongqing to help us make suggestions for carrying out comprehensive reform of economic systems at selected points in the city. The party Central Committee and State Council have recently given Chongqing the go-ahead. They pointed out: "Carrying out comprehensive reform of economic systems at selected points in a big city like Chongqing is an important policy decision of the CPC Central Committee and State Council for China's on-going reforms. Conscientiously doing a good job of these pilot reforms is of great significance to further invigorating and developing the economy in southwest China, to finding new ways of combining production for military use with production for civil use, and to forming city-based economic regions." They also pointed out: "Comprehensive reform of economic systems means many-sided readjustments in economic relations necessary for the further development of the productive forces. We must proceed from reality and from the objective law of economic development, fully take the mass line, pay attention to economic results, devise the best reform program, and do things in a well-led, well-planned, systematic, and orderly way so as to make a success of the pilot projects." We are now publishing the suggestions for carrying out comprehensive reform at selected points in Chongqing for the interest of readers. We shall continue to publish fruitful experience in this connection. Any reader who wishes to make suggestions concerning comprehensive reform at selected points in Chongqing may write to our magazine or directly to the

Article for restructuring the economic systems of the Chongqing city government. [end editor's note]

1. The Aim of Carrying Out Comprehensive Reform at Selected Points in Chongqing

The aim of carrying out comprehensive reform at selected points in Chongqing is to attain the objectives put forward by Comrade Zhao Ziyang in his "Report on the Sixth 5-Year Plan": "To give scope to the role of the cities, particularly that of big and medium-sized cities, in organizing economic activities" and "to unite production and circulation, centering on the more economically developed cities, so as to carry along the surrounding rural areas and gradually form city-based economic regions of different sizes and types." To this end, it is necessary to conscientiously analyze and study the economic and geographical characteristics of Chongqing and understand the position, role, and direction of development of Chongqing as an economic center.

Chongqing had been an economic center on the upper reaches of the Changjiang River for centuries. It had close economic ties with the southwestern provinces and with the middle and lower reaches of Changjiang and was an inland port for economic exchanges with other countries. After liberation, the city saw immense growth in its economic strength and communications facilities. In 1980, it was reopened as an inland port for trading with other countries. However, it is generally thought that the role of Chongqing as an economic center has been greatly weakened by the long-standing practice of the system of managing the economy according to administrative systems and divisions. The task of the present reform is to give full scope to the economic and geographical advantages of Chongqing, break down the existing administrative divisions, open up direct economic relations with foreign countries, strengthen the position and role of Chongqing as an economic center on the upper reaches of the Changjiang, achieve better social and economic results, speed up the rate of economic development, and gradually form an open-type economic region with Chongqing as the base, where there will be comprehensive development of industry, agriculture, communications, and transport, domestic and foreign trade, science and technology, and financial undertakings. In accordance with the guidelines put forward by Comrade Zhao Ziyang. The specific steps are:

First, to give scope to the advantages Chongqing has in natural resources and facilities so as to further develop the basic industries. Chongqing has important energy resources like coal and natural gas, important natural resources like nonferrous minerals, as well as rich water resources furnished by the Changjiang, Jialingjiang and other rivers. Its iron and steel industry has a fairly complete range of products, and output is quite high. Its aluminium-processing industry has a great capacity; its chemical raw materials industry has a fairly solid foundation; its natural gas and chemical industries have great prospects for development; and its building materials industries, including the cement industry, possess good conditions of development. In short, Chongqing is a city with fairly strong basic industries. In the future, while continuing to give scope to these advantages, it is necessary to break

down administrative divisions and promote coordination and combination between iron and steel, and aluminium-processing and caustic soda factories in Chongqing and related enterprises in Sichuan and Guizhou, so as to help supply each other's needs and further develop the basic industries.

Second, to give scope to the advantages Chongqing has in the machine-building industry so as to provide technical equipment for all trades. Chongqing has more than 1,000 machine-building enterprises with a fixed asset of 2.6 billion yuan, or 37 percent of the city's total. Its war enterprises are quite well-equipped and have a fairly strong technical force. On the basis of reform, Chongqing's machine-building industry should make further efforts to combine war production with civil production so as to further develop and improve the present generation of mechanical and electrical products and continuously develop new generations of products. At the same time, it is necessary to actively develop new mechanical and electrical products to better serve technical transformation in all trades and to achieve better economic results.

Third, to give scope to the advantages Chongqing has in agriculture, and lately in light and textile industries so as to greatly boost agriculture, the food industry, and other light and textile industries. Chongqing and its surrounding areas are quite well-developed, agriculturally speaking. They are rich in farm and sideline products and are producing industrial raw materials like vinyon on a fairly large scale. Chongqing's cotton, hemp, silk, and woolen textile industries, hide industry, and canned food and beverages industries are quite long established, and a fairly solid foundation has been laid in the production of chemicals for daily use and of mechanical and electrical products. From now on, Chongqing must fully utilize these conditions, actively promote agricultural modernization in the economic region, ensure the development of agriculture at a faster rate, extensively carry out coordination and cooperation with the surrounding areas, and energetically develop light and textile products with its own distinctive features to supply market needs.

Fourth, to give scope to the advantages Chongqing has in science and technology, absorb advanced technology and disseminate it. Chongqing, with its great number of national defense industries, scientific research units, and colleges and universities, has quite a strong scientific and technological force. This is a big latent advantage. On the basis of reform, it is necessary to organize the scientific and technological forces in all fields to jointly tackle key scientific and technological projects, and to make positive efforts to switch science and technology for national defense to civilian use, switch coastal and foreign science and technology inland, and switch achievements in scientific research to the realm of production.

Fifth, to give scope to the role of Chongqing as the hub of water and land transport and promote the development of domestic and foreign trade. Chongqing lies at the confluence of the Changjiang and Jialingjiang Rivers. It is the hub of the Chengdu-Chongqing, Sichuan-Guizhou, and Xiangfan-Chongqing railways and of a number of highways. It is also the telecommunications center of southwest China. It has air links with important cities throughout the country.

By means of shipping services on the Changjiang River, Chongqing is linked with Luzhou and Yibin upstream (and even with Dukou City when the Jinshajiang River is opened up), and with Wanxian County, Yichang, Shashi, Wuhan, and Shanghai downstream. Chongqing lies in the middle of this chain. After the opening of shipping lines between Chongqing and the coastal cities and between Chongqing and Hong Kong and Macao, the city will be able to play a better role as the commodities collecting and distributing center of southwest China, and domestic and foreign trade will grow substantially. We should actively create the necessary conditions for this development through reform.

Sixth, to give scope to the advantages of Chongqing in the conventional weapons industry and to actively make contributions toward the modernization of China's national defense.

In order to attain the above objectives, Chongqing must, in the course of reform, continue to emancipate the mind, boldly blaze new trails, actively make explorations, and find new ways of developing and managing the economy. In this way, it will be able to make still greater contributions toward realizing the strategic tasks put forward by the 12th CPC National Congress.

II. The Basic Orientation and Main Points of Reform

In order to give full scope to the role of Chongqing as an economic center, it is necessary to adhere to the following basic orientation in carrying out comprehensive reform of economic systems at selected points in Chongqing:

1. To reform the present administrative system and structure with its barriers between town and country and between departments and regions at different levels and its duplication of leadership, and bring about a system of economic administration which centers on the big and medium-sized cities and unites town and country, as well as departments and regions, at different levels in the spirit of Comrade Zhao Ziyang's "Report on the Sixth 5-Year Plan."
2. To give cities which are directly under provincial jurisdiction the same authority of economic administration as the province and make them responsible for the fulfillment of the state plans and for the delivery of revenue to the state under the premise of not changing present administrative relations.
3. Under the guidance of unified planning for the whole country, the state will hand down individual plans to the cities, and the cities will be responsible for the overall balancing of various plans and actively bring into play the role of various economic levers in accordance with the principle of ensuring the leading role of the planned economy supplemented by market regulations.
4. To make overall arrangements for state, collective, jointly-operated, and individual economies, and develop diverse economic forms and multiple undertakings while persisting in taking socialist public ownership as the main body of the economy.

5. To develop various forms of economic combinations and bring about a reasonable industrial structure, product mix, and organizational line up of enterprises in accordance with the principle of extensive coordination among specialized departments and the requirement of achieving economic and reasonable results.

6. To remove the barriers between regions, departments, and town and country, build Chongqing into a commercial and commodities center, and organize commodity circulation in an economically-sound and reasonable direction so that commodities can flow freely.

7. To bring about the substitution of taxes for profits in an all-round way, improve the relationship between the state and the enterprises, further strengthen the system of economic responsibility, reform the system of wages and rewards, and overcome such drawbacks as unified state allocations for state-owned enterprises and unified collection of receipts from them, "everybody eating from the same big pot," and egalitarianism.

8. To reform the organs of administration in accordance with the principle of rational division of labor between the party, the government, and the enterprises, as well as the requirements of administering the economy with big and medium-sized cities as the centers.

The priorities of reform for the near future are:

(1) Restructuring the system of planning.

1. The state will hand down individual plans to the cities. Principal plans for cities, including those for industrial and agricultural production, investment in fixed assets, energy supply, the distribution, procurement, and allocation of principal materials and commodities, wages for labor, finances, and credits, foreign trade, science and technology, and development of social undertakings, will be handed down individually to different cities and provinces by the State Planning Commission and various central ministries. Various cities will take part in national planning conferences as planning units. Planned targets administered by the provinces will be handed down by the provincial planning committees to their municipal counterparts in a unified way.

2. Under the premise of ensuring the fulfillment of the plans handed down by the state and the province, the city authorities will make unified arrangements for production, construction, circulation, and distribution in the whole city. With regard to principal materials and commodities handled by the state and the provincial authorities, it is necessary to strike a balance within the locality by making allocations to make up the difference, regulate the varieties, and give the people a share of the surplus output under unified planning.

3. In view of the fact that plans for 1983 have already been mapped out, it is suggested that relevant departments at the central, provincial, and city levels should coordinate their activities to make the plans dovetail.

4. Change the procedure in drawing up plans. With the exception of a few norms which must be controlled by the state and the provincial authorities, all other planned targets for the following year must be mapped out by city authorities in accordance with last year's estimates and the year-to-year breakdown of the 5-year plan.

(2) Restructuring the system of enterprise management.

1. With the exception of the railways, the Changjiang shipping company, civil aviation, telecommunications, petroleum, electricity, coal, war production, and a small number of large key enterprises which have a vital bearing on the national economy and the people's livelihood, all other enterprises in Chongqing which are set up by the relevant leading departments of their trades at the central level should be put under the administration of city authorities. Province-owned industrial, communications, building installations, commercial, and foreign trade enterprises, universities and colleges, and scientific research institutions in Chongqing should also be put under the administration of city authorities. With regard to enterprises administered by leading departments at the central level which have not been put under the administration of the city, the authorities of the city are responsible for organizing their energy supplies and coordination in production.

2. On the premise of ensuring the fulfillment of war production and scientific research tasks, it is suggested that war enterprises should gear their production of articles for civil use to the city's needs and should carry out planning in conjunction with ministries and commissions concerned with the national defense industry. Plans thus formulated should be incorporated into the state plan. Coordination and serialization in the production of articles for civil use should be organized locally by city authorities. Surplus capacity and scientific and technological forces for war production should be put under the unified arrangement of city authorities. They should be organized to assist and take part in tackling scientific and technological problems and in carrying out technical transformation. Royalties for patents must be paid for the use of advanced war production techniques in civilian industries.

3. In order to make overall planning for and coordinate communications and transport in the Chongqing area, it is suggested that the Changjiang shipping subbureau, the railway subbureau, and the civil aviation department of Chongqing work together with the relevant departments at the city level to form a leadership group for the administration of transport in Chongqing. The group will be responsible for making unified planning for the construction of ports, wharves, railway stations, freight yards, and warehouses, for coordinating railway transport, Changjiang shipping, inland navigation, highway transport, and city transport, and for making the freight capacity and volume dovetail and balance.

(3) Restructuring the system of circulation.

1. The system of commerce. Province-owned two-level commercial and supply-marketing centers in Chongqing should be merged with city companies so that unified procurement and allocation of commodities can be carried out. Positive efforts should be made to open new markets for commodities. It is necessary to break down the barriers of administrative divisions and set up three-level wholesale organizations in keeping with a reasonable and economically sound direction and according to economic zoning. At the same time, it is also necessary to vigorously develop industrial-commercial and agricultural-commercial joint ventures, and organize economic combinations which combines production with marketing. Positive efforts should also be made to develop inter-regional commercial joint ventures in accordance with the principle of equality and mutual benefit.

2. The system of commodities. It is necessary to organize supplies locally in keeping with a reasonable direction. City-owned enterprises are to receive supplies in a unified way. Materials under planned distribution needed by counties in the surrounding areas of Chongqing and by central- and province-owned enterprises are to be reallocated and supplied by the city instead. The city is to set up a commodity supply network in keeping with economic zoning and a reasonable direction. If possible, materials in large quantities should be supplied directly and on a long-term and regular basis. Scattered materials are to be supplied locally by commodity supply departments.

3. The system of foreign trade. The state is to hand down individual plans of foreign trade to the city. Various foreign trade companies in the city are to establish direct links with the respective national corporations under the Ministry of Foreign Economic Relations and Trade, and profits and losses are to be calculated in a unified way by the national corporations concerned. The province is to hand to the city the authority over foreign trade matters given it by the state. The city authorities are to negotiate, quote prices, conclude transactions, sign agreements, and settle balances directly with foreign companies. At the same time, positive efforts should be made to create the necessary conditions for opening direct air or shipping lines between Chongqing and Hong Kong and Macao.

(4) The restructuring of the financial, tax, and monetary systems.

1. It is necessary to speed up the replacement of profit delivery by taxation. In 1983, the system of collecting income tax and distributing after-tax profits in rational way is universally practiced in big and medium-sized state-owned enterprises. If conditions permit, the method of directly levying taxes, settling payments in cash, and assuming sole responsibility for one's own profits and losses should be adopted. As for small state-owned industrial and commercial enterprises, the method of carrying out collective management under state ownership, assuming sole responsibility for one's own profits and losses, contracting, and leasing should be adopted.

2. In 1983, the province will set a quota of profit delivery for the city and get a certain proportion of surplus profits under the existing financial system. Starting from 1984, a method of differentiating various categories of taxes will be adopted. Revenue at the central, provincial, and city levels will be differentiated, and a new system of level-to-level financial administration will be introduced.

3. It is suggested that a given percentage of urban construction tax be levied on all enterprises (including war enterprises) in Chongqing on the basis of revenue from sales (business transactions), and that fees for urban construction and other apportionments be cancelled.

4. It is suggested that banks in the city be given the same authority as the provincial branches.

(5) Restructuring the system of wages for labor.

1. It is necessary to reform the system of labor and introduce diverse forms of employing workers, such as hiring contract workers, temporary workers, and permanent workers. In recruiting staff and workers into enterprises, it is necessary to invite applicants openly, let people sign up voluntarily, and choose the best.

2. It is necessary to institute a labor insurance system in society and first test it out among contract workers, newly run collective enterprises, and self-employed laborers.

3. It is necessary to reform the present wage and reward system. It is suggested that the state choose Chongqing as a pilot project for this.

(6) Suitably extend the jurisdiction of the Chongqing administrative region.

In addition to the four counties now under the jurisdiction of Chongqing, it is suggested that eight counties in Yongchuan Prefecture and the Huaying industrial and agricultural district in Nanchong Prefecture be added. It is necessary to strictly control the existing city boundary of Chongqing and actively develop satellite towns.

III. Restructuring the Organizational Line-Up of Enterprises and the Economic Administrative Organs to Meet the Needs of the Reform of Economic Systems

After reforming the system of economic administration and transferring to the city the province-owned and some central-owned enterprises, it is necessary to carry out reorganization and amalgamation around key enterprises, brand name products, the development of new technologies, and the rational utilization of resources. Existing enterprises which are "big and complete," "small but complete," and scattered should be organized in an organic way in order to facilitate the rationalization of enterprises and economic organizations, and to reform the economic administrative setup accordingly.

In the reorganization and amalgamation of enterprises, it is necessary to base ourselves on breaking down the barriers between departments and regions, proceed from tapping the potentials of existing enterprises, persist in the principles of extensive coordination among specialized departments, of achieving better economic results, and of equality and mutual benefit, and work in a well-led, well-planned, and systematic way. In cases in which the enterprises or products of Chongqing are more superior, it is necessary to organize economic combinations with Chongqing as the base. In cases in which other places are more superior, the enterprises of Chongqing must actively join outside economic combinations. Through combination, every possible effort should be made to invigorate factories in Chongqing and its surrounding areas, particularly factories relating to third-line construction, bring into full play their strong points, and avoid their shortcomings, and give full scope to their respective superior features. We may spread to the countryside products or semi-finished products which do not involve complicated production techniques and are suitable for processing in the countryside so as to facilitate the formation of combinations between town and country and between industry and agriculture. There should be diverse forms of combinations. Based on differences in the economic relations of enterprises, different forms of companies, integrated bodies, and economic cooperation may be organized. In some cases, professional associations may be organized to coordinate their economic activities.

While transferring province-owned and some central-owned enterprises to the city, it is necessary to make readjustments and improvements in the reorganized and amalgamated companies in accordance with their rational internal economic relations and characteristics and on their merits so that they can truly serve production and circulation and achieve better economic results. It is also necessary to organize, as quickly as possible, specialized production in enterprises within the city (including war enterprises) so far as casting, heat treatment, electroplating, forging, machine repair, and other processes are concerned. Efforts should also be made to rationally organize socialized services of accounting, estimating, testing, and so on in facilities set up in these enterprises to serve production and scientific research as well as livelihood needs.

It is also necessary to further exercise and enlarge the decisionmaking power of the enterprises. On the premise of abiding by the provisions of the state plans and various policies and decrees, the enterprises should be allowed to organize production and management according to market needs, sell some of their products, make use of their own funds to carry out technical transformation, correctly exercise their authority in rewarding or punishing their staff and workers and cadres, and so on, so that they can really be relatively independent economic entities.

In order to meet the need of the reform of economic systems, it is necessary to readjust the superstructure accordingly and do a good job of the restructuring the economic administrative setup. The chief measures are as follows:

1. To streamline or amalgamate specialized economic administrative departments and strengthen comprehensive economic departments. This includes: A new economic commission is to be set up to organize production and circulation in the field of industry and communications in a unified way. In principle, the functions of specialized bureaus are to be put into the hands of various sections of the economic commission. Before restructuring has been carried out in the economic administrative departments at a higher level, the titles of these bureaus are to be retained, and various ministries and commissions at the central level and relevant departments at the provincial level must give them recognition and support. The agricultural commission is to be strengthened. It is to be responsible for agricultural and economic development in the suburban areas and counties and for leading rural work. The work of the planning commission is to be improved. Efforts should be made to strengthen studies in economic development strategies, economic forecasting, and the collection of economic information so as to strike an overall balance in the intermediate and long-term plans and annual plans. The city capital construction commission is to be reorganized into the urban construction administration commission. It is to assume overall responsibility for planning urban construction and for the construction and management of public utilities in the urban areas.

2. To further strengthen the construction of commercial, commodity supply, communications, telecommunications, scientific and technological, educational, and other establishments, gradually form a financial and trade center, scientific and technological center, and economic information center in Chongqing, and better serve economic development in Chongqing and its surrounding areas so as to suit the needs of the establishment of an economic region with Chongqing as its base.

3. To strengthen the economic coordination and supervision organs. It is necessary to strengthen the financial, taxation, banking, and pricing departments and appropriately extend their authority. It is also necessary to set up and make perfect statistical and auditing organs, industrial and commercial administrative organs, economic courts and economic supervisory organs, and give full play to their role in regulating and supervising the economy.

4. To streamline economic management. The reorganized commissions, offices and bureaus are functional departments of the governments at the same level. There should not be any intermediate structures. All overlapping organs are to be dissolved, units handling similar business are to be amalgamated, and organizations which are not of a permanent nature are to be cut as far as possible. Economic management in the city is to be gradually streamlined from five levels (city, commissions and offices, bureaus, companies, and factories) to three or even two levels (city, company, and factory, or simply city and big factories). The present method of separate management in social work will be changed. A city-level social work administrative department will gradually take over and work will be handled directly by the prefectural and county governments.

1. To do a good job of the rational division of labor between the party, the government, and the enterprises. Party committees at all levels in the city are mainly responsible for grasping ideological education and organizational construction and for playing a leading role in matters concerning the line, principles, and policies. They are not to concern themselves with concrete economic matters. Governments at all levels are mainly responsible for guiding and managing the economy through planning, policies, and decrees, and the use of economic levers. Unless it is at times absolutely necessary, they should not interfere with the internal affairs of economic units. Economic administrative departments are mainly responsible for studying and mapping out development plans, economic and technological policies, technical norms, and plans for the dissemination of new technologies and the creation of new products for their respective trades. They are also responsible for checking up on the implementation of the principles, policies, and plans of the state in the enterprises, and doing a good job of making overall plans, coordinating activities, providing service, and supervising work. The production and business activities of the enterprises should mainly be organized and arranged by the enterprises themselves.

According to the above propositions, the number of departments, commissions, offices, and bureaus of the party and government setup at the city level will be reduced by approximately 1/3, from the present 76 to about 50.

IV. Organizational Leadership and Steps for Implementation

1. After approval of the suggestions for carrying out comprehensive reform at selected points, it is hoped that responsible comrades of relevant ministries and commissions under the State Council and of the provincial CPC committee, provincial government, and relevant departments will come to Chongqing to study specific problems of reform, coordinate activities, and map out concrete plans of reform.

2. The city CPC committee and city government are to assume concrete leadership in the work of carrying out comprehensive reform at selected points in Chongqing. An office for restructuring the economic systems will be set up within the city government to handle the day-to-day work of the pilot projects. It is hoped that the state committee for restructuring the economic systems and the provincial CPC committee and provincial government will give us constant guidance, and that various ministries and commissions at the central level and the relevant departments at the provincial level will give us strong support.

3. Efforts should be made to grasp ideological mobilization and the training of cadres. After the plan for testing at selected points has been decided on, it is necessary to run study classes and train cadres at every level. They will be helped to study the instructions, principles, and policies of the central authorities on economic reforms and to achieve unity in understanding. At the same time, it is necessary to conduct propaganda and education on economic reforms among the masses so that they will all understand

the significance and the principles and policies of the reforms, strive to fulfill their production and construction tasks, and take an actual part in reform work.

4. Efforts should be made to speed up the tempo of testing at selected points. Starting from 1983, we must firmly grasp organizational restructuring, the reorganization and amalgamation of enterprises, the replacement of profit delivery by taxation, the transfer of enterprises to lower levels, the extension of the jurisdiction of administrative regions, the further improvement of the system of economic responsibility, and so on.

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ECONOMIC PLANNING

WANG DAOHAN ON THE CHANG JIANG DELTA ECONOMIC ZONE

Shanghai JIEFANG RIBAO in Chinese 24 Apr 63 p 1

/Article: "Mayor Wang Daohan /3076 6670 3211/ Answers Reporter's Questions; Shanghai Is Determined to Build a Chang Jiang Delta Economic Zone Together With Fraternal Provinces and Cities"/

/Text/ On 22 April when receiving this reporter, Wang Daohan, the Mayor of Shanghai Municipality said, "Shanghai resolutely supports the decision of the CPC Central Committee and the State Council regarding the construction of a Chang Jiant Delta Economic Zone and will actively participate in the rational readjustment and continuing development of this economic zone."

In answer to the reporter's question about how he understood the guiding thinking on building a Chang Jiang Delta Economic Zone with Shanghai as the center, Mayor Wang Daohan said, "In the process of realizing the great goal of our country quadrupling the value of industrial and agricultural output by the end of this century, the organizational system of this region will not change, economically there is planned and measured integration and development of and overall viewpoint, and jointly we will make a contribution to the economic upsurge of the entire nation."

Wang Daohan said, "Shanghai is a comprehensive old industrial base as well as an important seaport and communications hub linking the interior and abroad. It has over 300,000 scientific and technological personnel, over 300,000 industrial employees, a complete range of industrial types, coordination systems are convenient, there is a high concentration of schools of higher education and scientific research departments, financial agencies, commercial outlets, and service facilities are all of substantial scale, and these are Shanghai's favorable conditions. However, there are some unfavorable conditions, and that is that the technology and equipment of many industrial firms is backward, factory buildings are outdated, and space is crowded; the distribution of industry is not rational, housing in the city is in short supply, and communications are crowded and there is environmental pollution. With the construction and development of the economic zone, Shanghai will firmly and unswervingly carry out the policy of readjustment, reform, reorganization, and upgrading, base ourselves on the existing foundation, strive to develop foreign trade, strengthen economic linkages within, transform the old enterprises and old city, develop a new realm of economy, science, technology and construction, and promote the coordinated development of the economy and society."

Wang Daohan said, "The integration of Jiangsu, Zhejiang, and Shanghai of necessity may involve Anhui and Jiangxi. They have abundant resources stored there and the agricultural potential is very great."

When talking about how to start this economic zone effectively, Wang Daohan said, "It is appropriate for economic integration to proceed from actuality, in the beginning it is easy, but later it is difficult, everything must go through testing. At present it will do no harm to focus on energy, communications, water conservancy, foreign trade, and science and technology, and implement economic linkages from two, three or even many sides and start work together. The administrative system and jurisdictional relationships will not change, and in economic integration value of output and profit will be calculated separately, and a system of managerial responsibility under the leadership of the integrated committees of trade and industries will be implemented. In integration, mutual benefit and profit, mutual study, and mutual incentive will improve in common. The important thing now is to make the plans and then go about implementing them."

Wang Daohan said finally, "Under the unified plans of the State Council's Shanghai Economic Zone Planning Office, Shanghai and fraternal provinces and cities will together build this economic zone."

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ECONOMIC PLANNING

ESTABLISHMENT, LAYOUT OF STORES IN TIANJIN DISCUSSED

Tianjin TIANJIN RIBAO in Chinese 26 Feb 83 p 3

[Article by Zhang Guanrui [1728 1639 3843]: "Problems of the Establishment and Layout of Commercial Network Outlets in Our Municipality"]

[Text] For the convenience of the people, the municipal government has organized the departments concerned and all the districts to set up a number of permanent commercial network outlets that are urgently needed by the broad masses. Up to the end of last year, more than 1,300 such outlets had been established and in operation. The speed of construction and the large number of outlets were unprecedented in our municipality. How will these new outlets be able to produce better results? How can we fit their establishment into our long-range plans? Overall planning and rational arrangement are very important questions. I would like to present some views for the reference of the departments concerned.

I. Analyzing the Present Situation, Determining the Scope

In 1957, there were 57,000 commercial network outlets in Tianjin (not including the 5 counties; same applies below). After the Third Plenary Session of the 11th Party Central Committee, some of these outlets were restored and developed along with the economic readjustment, and in 1982, their number was increased to more than 14,000. However, this number was still incompatible with the development of production, the increase in population and the constantly rising living standards of the urban and rural population. Compared with 1957, the number had been reduced by 75 percent, the population had been increased by 45 percent, and the average number served by each outlet was increased from 62 to 345. The structural area of commercial network outlets for every 1,000 people was reduced from 410 to 370 square meters.

To what extent should these outlets be developed in order that they will meet the people's requirement? This question has been discussed in theory by many comrades. Here is only a rough estimate giving some glimpses of the real situation.

First, the present structural area of commercial network outlets in relation to the population is nearly 200,000 square meters less than the 1957 area, and this difference does not take into account the rise in people's level of

consumption. Actually, people's consumption now more than doubles that in 1957. Therefore, restoration of the same number of outlets we had in 1957 still cannot meet the actual requirement of the people at present, since this number was only good in the past.

Second, according to the indices in the detailed planning for every 1,000 people in residential and small areas as given in the summary of discussions in the National City Planning Conference, approved and relayed by the State Council in 1980, it would be more appropriate for our municipality to have 310,000-400,000 square meters of floorspace for these outlets. However, the present floorspace is only 200,000 square meters--110,000 square meters less than the lower figure and 200,000 square meters less than the higher figure. This difference does not include the large bazaars and hotels at the municipal level now under construction.

The serious shortage of commercial network outlets in Tianjin has been caused by many factors over a long period, and it would be impossible for this problem to be completely solved in a short time. Based on the financial resources and the scope and speed of construction in our municipality, however, it may be possible for us to increase the floorspace of these outlets by 200,000-300,000 square meters every year so that after several years' effort, the situation of space may become basically satisfactory.

II. Establishing Complete Sets at Different Levels

Tianjin is a large city with fairly well-developed industry and commerce, and was a well-known trade port in the past. It should have a rational commercial network layout with traditional characteristics of its own. According to the size, structure and character of the city of Tianjin, and in consideration of land utilization and the consumption in different areas, the establishment of commercial groups at three different levels in a standardized and systematic way is not only consistent with the real situation, but also practical for their operation.

At the first level is the city's commercial center, mainly intended to serve the mobile population. The commercial street of Dongmalu in Heping Road (including the stores in Quanyezhang) has the initial qualifications for this task. Continued recovery and consolidation of this street is necessary for strengthening the building of the commercial center of the city.

In long-range planning, we should open the commercial street in Shenglilu. The business district of Tianjin Municipality is now developing in the shape of a belt with Haihe River as the center line. In such a city, the building of commercial streets to form a central commercial area in the shape of a belt will have a wider radius of service and yield better economic results than would be from the setting up of a new center far away from the city's commercial district. The new center would call for heavy investment and would be time-consuming with poor results. Instead of resolving the contradictions from the concentration of streams of people, it would further increase the centripetal force.

At the second level is the regional commercial center. Here, the large vegetable markets and medium-size bazaars will form the backbone, but some high- and medium-grade food, garment and other specialized stores can also be opened. Those stores serving mass groups or dealing in the means of production can also be opened here. Regional commercial centers should be established according to the natural economic and geographical conditions and the population distribution, but not administrative division. It mainly serves one district (including several adjoining residential areas) or part of the mobile population, and can effectively divert the streams of people and reduce the pressure of purchases on the city's commercial center.

Our municipality had 50-60 commercial groups of this type in the 1950's; now only a few remain. The consumers are forced to crowd into the central commercial area along the Heping Road, causing traffic jams. Strengthening the building of regional commercial centers will play a key role on the rational layout of the commercial network in our city.

At the third level are the commercial centers of the residential areas, mainly serving the local population. The radius of service should not exceed 1 li. The stores forming these small commercial centers will mainly take care of frequent purchases at small quantities by the masses. The design and variety of their commodities can be simple and there will not be much for the customers to choose from. The nonstaple foodstuff stores, grain stores, miscellaneous native goods stores and so forth come under this category these stores should be concentrated in the central residential areas or at the intersections of small streets for the convenience of the consumers who may make more than one purchase in the same neighborhood.

Among the commercial groups at the third level, except for some network outlets (and these outlets are generally in the same place with the departments in charge of the basic-level stores) which should be properly concentrated, most of them should be spread out in the small lanes and alleys of small residential areas. This is where people obtain the seven necessities--firewood, rice, oil, salt, sauce, vinegar and tea--in their daily life.

III. The Coexistence of Diversified Economic Forms

At present, each of the state, collective and individual sectors accounts for approximately one-third of the commercial network outlets in our municipality. The proportions of personnel are as follows: the state sector, 65.4 percent; the collective sector, 31.2 percent; and the individual sector, 3.4 percent. Of the business volume in 1981, 87.2 percent belonged to the state sector; 12.6 percent belonged to the collective sector; and 0.2 percent belonged to the individual sector. Such a composition shows the existing problems and defects in our retail, food and drink and service trades. Although the number of collective stores is basically close to that of state-run stores, the number of their workers and staff members is only one-half, and the volume of their business is only one-seventh of those of state-run stores. The number of individual stores is so small that they almost cease to be an economic factor. Although the monopoly of state-run commerce has been in some way shattered, no significant change has yet taken place.

This will pose a serious task for the building of commercial network outlets. In our future development of retail, food and drink and service trades, the collective sector should be given primary consideration, the individual sector should be supported, and the policy of coexistence of diversified economic forms should be upheld.

In the development of individual stores in the past several years, we have encountered such real problems as business sites, supply of materials, and prices. However, the main problems are the lack of organized leadership, the lack of overall planning and the lack of management. Among the seven or eight channels for the development of collective stores, the methods of business management are all different. Some of them are "overwhelmed" with work while others are hardly noticed by anybody. This is a serious handicap to the development of the strength of the collective economy.

While vigorously developing collective and individual commercial stores, we should carefully study the present situation in the entire municipality and fill the gaps. First, we must pay attention to the development of the food and drink, service and consumer-goods repair trades. At present, retail stores amount to 60 percent, and restaurants amount to 15 percent of the total number of commercial stores in our city. Second, we must persist in opening small stores. The average size of stores in the city has increased from that of 2.5 employees and a floorspace of 25 square meters to one of 12.2 employees and a floorspace of 130 square meters. There must be more small stores for the convenience of the broad masses and for unified economic accounting on a long-term basis. In building these small stores, we should also consider the auxiliary premises, such as storerooms and the workers' changing rooms, that are closely related to the main business activities.

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ECONOMIC PLANNING

LETTER TO EDITOR WARNS AGAINST OVERPRODUCTION

Beijing GONGREN RIBAO in Chinese 20 Feb 83 p 1

[Letter to editor]

[Text] Comrade editor:

The head office of the People's Construction Bank of China has organized its branch offices at various levels to conduct a national survey on production and discovered that eight different products--namely, wrist watches, bicycles, sewing machines, TV sets, beer, terylene-cotton fabrics, woolen fabrics and cotton fabrics--have already exceeded the state's plan of development up to 1985. Unless strict control is exercised, it is estimated that by 1985, more than 5 billion yuan will be wasted in investment. Cotton curtain fabrics and art (printing) paper have changed from short-supply to excessive-supply products. Sulphuric acid and plate glass are now in short supply; however, since all localities are making great efforts to increase their output, their production may also go out of control. Unless more active planned guidance is provided and overall planning is carried out in time, this will lead to serious economic loss.

The blind expansion of construction is mainly caused by some localities and enterprises which are only concerned with their local needs. In the absence of any forecast on social needs, they fail to see the national balance. Furthermore, the leaders of some enterprises or localities are obsessed with the increase of productive capacity by opening new plants and stressing quantity at the expense of quality and production costs. According to domestic and foreign experience, such products as wrist watches, TV sets, bicycles and sewing machines must be produced in large quantities before they can be low in production cost, good in quality and competitive in price. More plants will mean more decentralization of resources and poor economic results. For example, the production cost of a wrist watch plant producing nearly 500,000 watches a year is 1.36 times higher than those producing 5 million watches a year. However, small wrist watch factories outside the plan are still being blindly built. Again, let us take the production of common 28-inch bicycles for example. The production cost of each bicycle produced by a new or small factory in some locality is 50-60 yuan higher than those produced in Shanghai and Tianjin. In some isolated cases, it is even 150 yuan more. Thus in selling each bicycle, the factory has to incur a loss of more than 100 yuan.

We appeal to the departments concerned to take a serious view of this situation. In the course of restructuring, the plans for developing each trade should be used as the basis of feasibility study to guide construction projects. All the technical and economic indices, financial benefit indices, investment indices given in the feasibility reports should be calculated with scientific methods instead of being influenced by the "political encouragement" from the leaders. The compilation and examination of feasibility study reports should be participated jointly by all departments concerned. To ensure the improvement of economic results and to reduce errors or blind commandism, the system of economic responsibility for investment policy decision should be instituted so that there will be rewards as well as punishments.

Zhang Zhongqi [1728 0112 0796] and
Luo Rongxian [5012 2837 0341],
economic engineers of the Invest-
ment Research Institute of the
People's Construction Bank of
China.

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ECONOMIC PLANNING

COMMODITIES IN DEMAND SHOWN IN MARKET SURVEY

Tianjin TIANJIN RIBAO in Chinese 23 Feb 83 p 2

[Article: "What Are the Articles for Wearing and Daily Use That Customers Are Waiting to Buy with Their Ready Cash"?]

[Text] The market situation in our municipality continued to improve in 1982, and people felt easy about it. Material consumption in working families increased 1.8 percent and most commodities were adequate for the demand. However, there were also some commodities, mainly for wearing and daily use, which did not sell well because of their quality, varieties and prices. People were in no hurry to buy them and would prefer to keep their money until they could make their choice. Thus the consumption level could not be further raised and average individual hoarding reached 33 yuan, a 1.2-fold increase over the previous year.

Demand-Supply Plan for Main Items for Wearing and Daily Use Only 74 Percent Fulfilled

A survey of 500 working families conducted in early 1982 showed that although the supply-demand plan for the main item for wearing and daily use called for an expenditure of 149 yuan for each person, only 110 yuan had actually been spent by the end of the year. Thus the plan was only 74 percent fulfilled. The commodities for wearing, whose consumption was fairly close to the supply-demand plan and whose sales exceeded the original plan were cotton fabrics, chemical fiber fabrics, woolen fabrics, chemical fiber garments, knitted suits, woolen yarns, woolen suits, rubber shoes, cloth shoes, plastic shoes and leather shoes, totaling 10 items. Fulfillment of the supply-demand plan for commodities for daily use and for cultural entertainment was rather poor; only radios and black and white TV sets were sold above the original plans. Thirteen items failed to fulfill the supply-demand plan. They were: woolen garments, woolen blankets, bicycles, sewing machines, wrist watches, clocks of various types, electric fans, laundry machines, tape recorders, cameras, large wardrobes, sofas and desks. The supply of these commodities was abundant on the market, but not many of them could be sold because of their quality, varieties and prices. The people had to spend more than 180, or several hundred yuan on any one of them and had to be satisfied with its quality, variety and price. They knew about the forthcoming development in production, improvement in quality, increase in varieties and reduction in prices. Therefore, they were in no hurry to buy what they did not urgently need. This is now the basic psychology of the broad masses in the purchase of industrial consumer goods for wearing and daily use.

Causes of Poor Performance in Fulfillment of Supply-Demand Plan

According to the result of investigations and the views of the broad masses, the causes of the poor performance in the fulfillment of the supply-demand plan for 13 main items for wearing and daily use were as follows:

1. Woolen garments: This is mainly because of the unsatisfactory outer materials and styles, and the incomplete specifications. Woolen greatcoats for women with jacquard flowers and some new-style warm clothing which have been on the market for some time were fairly popular, but most of the others were not well received. Since it was expensive for woolen garments to be made to order, and there were not many such tailor shops, people generally prefer readymade dresses. That is why it is very necessary for the varieties, designs and styles of garments to be improved to better meet the demand.

2. Woolen blankets: There are not many blankets of pure wool, and the present designs are unsatisfactory. Woolen blankets are purchased mainly on wedding occasions, and people like blankets of attractive designs and pure wool.

3. Bicycles: There is a fairly great demand for bicycles, and nearly half of them are for replacements and wedding occasions. Therefore, the 26-inch brand-name bicycles for both sexes and the 28-inch bicycles for women account for 75 percent of the total demand, for which the market supply is inadequate. According to information from the companies supplying power and means of transportation, 31.2 percent of the bicycles for sale on the market are extra heavy and cannot be easily sold.

4. Sewing machines: The people are not satisfied with the quality and style of the Mudan brand sewing machines in Tianjin. According to the supply-demand plan, 63 percent of the sewing machines should be Shanghai products, but the actual quantity supplied is too small.

5. Wrist watches: There are two types of wrist watches people like to buy: first, the low-price mechanical watches good enough to show the "hour" only, and the imported brand-name watches to be used on wedding occasions. Tianjin sells low-price mechanical watches, but the supply is inadequate.

6. Clocks of various types: People generally like Shanghai's "Three Five" desk clocks which accounts for 46 percent of the total demand. Many households have bought desk clocks only for decoration. If our municipality can produce desk clocks or wall clocks of good quality and style, their sales will certainly be good.

7. Electric fans: Only 50 percent of the supply-demand plan was fulfilled. The weather was not very hot last summer and many people living in the upper floors of tall buildings did not need electric fans. For this reason, their sales were reduced. However, a more important reason is that the electric fans of various brands being supplied are mostly of poor quality and high prices. Therefore, they could not sell well. The floor fans produced in Zhejiang sells for only some 130 yuan each. Although of mediocre quality, these fans are selling fairly well.

8. Laundry machines: The supply of double-tank laundry machines is small, while the single-tank machines are poor in quality and high in price. Most people are withholding their purchase until the right type is available.

9. Tape recorders: The supply of large desk-type recorders is small. Most people now want good-looking and practical recorders installed in their homes instead of the small ones to be carried around.

10. Cameras: Cameras of the "120" brand account for 67 percent of the total planned quantity. These cameras are suitable for household use, but are scarce on the market.

11. Large wardrobes: The full-length varnished wardrobes produced by No 5 Furniture Plant are the most popular. Though of high price, their quality and style are good and newly married couples like them. However, the supply is short of the demand. Large wardrobes are generally high in price and poor in quality and style. People failing to buy full-length varnished wardrobes would make their own.

12. Sofas: Mainly because they are too expensive, anyone able to make their own will not buy them.

13. Desks: The supply is usually short. To our understanding, since the processing is complex, the production cost high and the profit small, factories are unwilling to make them.

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ECONOMIC PLANNING

SHANXI'S ECONOMIC, TECHNICAL COOPERATION WITH OTHER PROVINCES

Taiyuan SHANXI RIBAO in Chinese 16 Feb 83 p 2

[Article by Wang Kewen [3769 0344 2429]: "The Question of Shanxi's Economic and Technical Cooperation with Fraternal Provinces and Cities"]

[Text] Since the Third Plenary Session of the 11th Party Central Committee, Shanxi Province has actively carried out economic and technical cooperation with the coastal provinces and cities and the more economically developed regions, on the basis of learning from one another's strong points. This form of cooperation soon played a positive role in arousing the enthusiasm of localities and enterprises in tapping internal resources for the enterprises, promoting technical exchange and economic prosperity and in improving economic results. There have been some new problems, but it was not difficult to solve them. On the whole, its orientation is correct and its benefits are obvious.

This form of economic and technical cooperation has developed fairly rapidly in recent years. Starting purely as an exchange of materials, the cooperation has developed to cover quite a wide field including technology, equipment, management and funds. This is an innovation during the readjustment period and should deserve great attention.

Why has transprovincial and transmunicipal economic and technical cooperation developed so rapidly in recent years?

First, such a form of cooperation is dictated by the uneven distribution of natural resources and the uneven economic and technical development in our country.

Shanxi's coal output accounts for 22 percent of the whole national output, but its economic foundation is weak; its technology and management are backward; and its economic and technical standards are far below those of the coastal provinces and cities. On the one hand, the fraternal provinces and cities are in urgent need of coal for their economic development. On the other hand, we are in urgent need of the advanced technology and management experience of the fraternal provinces and cities to develop our own production and improve our economic results. That is why the development of economic and technical cooperation is the common desire and requirement of all provinces concerned. Cooperation and learning from the strong points of others will speed up the common prosperity.

Second, transprovincial and transmunicipal economic and technical cooperation is necessitated by socialized mass production and specialization in production. After the Third Plenary Session of the party Central Committee, the economic policies were readjusted, some preliminary reforms were carried out in the system of management, and the departmental and regional restrictions were lifted. All these measures have provided favorable conditions for economic and technical cooperation among different provinces and cities.

Third, while the socialist modernization drive is going on in all areas, economic and technical cooperation among various provinces and cities for the specific purpose of adopting and popularizing the advanced technology of the coastal provinces and cities will enable us to learn the advanced technology we need without making heavy investments or carrying out large-scale capital construction. Therefore, active development of economic and technical cooperation among different provinces and cities is a good and practical way for the advanced technology and management experiences to be popularized in the country.

Fourth, economic and technical cooperation among different provinces, cities and regions will help implement the principles of the leading role of the planned economy and the subsidiary role of market regulation. Under the planned guidance of the state, the economic and technical cooperation by various departments across provincial, municipal and regional boundaries is very useful in supplementing state plans, arousing the enthusiasm of the areas and enterprises, using the market's regulative role and adjusting the relationship between the part and the whole.

Two distinct advantages to Shanxi can be seen from the result of economic and technical cooperation in 1981-1982.

First, the cooperation has supplemented the state's plans for material distribution and supported the development of production in the coastal areas. Each year since 1981, Shanxi has supported the state's plans with 30 million tons of coal, of which, in addition to economic coal and agreement coal, 9 million tons were supplied to other provinces and cities in the way of cooperation. In 1981, the supply of some 7 million tons as an act of cooperation brought back 39 different materials totaling more than 100 million yuan in value. In 1982, our province signed 562 contracts of cooperation with the fraternal provinces and cities for the supply of 7.92 million tons of "cooperation" coal in return for various types of materials totaling more than 130 million yuan in value. These contracts have played an important role in helping both parties complete their production plans and in increasing their outputs and revenues. Last year, for example, the 4,800 cubic meters of timber and 3,600 tons of light rails received by the local coal sector as a result of the cooperation helped to expand its productive capacity and to increase the volume of coal to be transported out of the province, and played an active role in completing the tasks of coal production and coal transportation to other provinces in that year.

second, this cooperation has helped raise our province's technical and management levels and improved economic results. The 15 projects of technical cooperation for 1981 were all completed and the 60 projects for 1982 are now in progress. Most of these projects were for technical transformation in the light and textile industries and small chemical-fertilizer plants as well as for tapping potential and improving enterprise management and production technology. Some of them have already produced quick results, while others are undergoing practical tests. On various occasions last year, more than 500 engineers and technicians came from Shanghai, Zhejiang, Jiangsu, Hubei, Jiangxi, Shandong, Beijing and Tianjin to help us with their experience, while our province also sent nearly 1,000 persons to these provinces and cities to learn from them. Technical cooperation has undoubtedly played a positive role in changing the backward appearance of industry in our province. Let us take small chemical-fertilizer plants for example. There are 92 small chemical-fertilizer plants in our province. For a long time, they have incurred losses because of incomplete equipment, low technology, poor management and high consumption which led to high production costs. During the current promotion of technical cooperation, 25 of these small plants signed contracts of assistance and learning with some fairly advanced plants of the same trade in Jiangsu and Zhejiang and have gained very good results. Among these 25 plants, 17 have already changed their losses into profits, while the remaining 8 are now making the change. The Linfeng Chemical-Fertilizer Plant, for instance, has improved several key production techniques, such as conversion, synthesis and water treatment, and increased its output of synthetic ammonia from 5,000 to 12,000 tons. The consumption of coal and gas per ton of ammonia was reduced from the original 2,800 to 1,687 kilograms and the production cost of fertilizers per ton was reduced from the original 118 to 110 yuan. It is now making a profit of 134,000 yuan each month.

In the textile trade in our province, the techniques of printing, dyeing and finishing were very backward. To learn advanced techniques from the coastal provinces and cities, more than 20 textile enterprises have developed technical cooperation with their counterparts in Jiangsu and Tianjin. With the assistance of Tianjin Textile Mill, the Dingxiang Towel and Bedsheet Plant has increased its output and improved the quality of its products. Previously, the Wuyang Silk Textile Mill did not produce any first-grade products. Through the assistance of the Wuyang Silk Textile Mill in Jiangsu, the age-old problem of making crepe-de-chine out of real silk was solved, and the proportion of its first-grade products rose to 64 percent. In Changshu City, Jiangsu, five plants, producing dyed-wool fabrics, silk fabrics, three-piece suits and children's garments and engaging in bleaching and dyeing research, have developed technical cooperation with their counterparts in Suzhou Municipality, and later produced silk quilt covers with jacquard designs. The annual output was increased to 200,000 meters, and the quality of its products was rated as the best in the province.

In the light industrial section, the light industrial section also produced very good results. Suzhou Municipality, for example, the output of bicycles and motorcycles was rapidly increased from 50,000 to 300,000 units, and the quality was excellent. The Xixian Glass Plant had technical cooperation with the Tianjin Glass Plant in the form of joint venture and made a profit of 100,000 yuan last year. Through the assistance of

Yangling Electron Tube Plant and Shanghai Yangling Light Bulb Plant, the Taiyuan Light Bulb Plant was able to greatly improve the quality of its neon tubes and ordinary bulbs, and to reduce its energy consumption. The production cost of ordinary bulbs was reduced 30 percent, and that of neon tubes was reduced 69 percent. Its loss was quickly stopped and in 1982 alone, it made a profit of more than 300,000 yuan.

Despite the great development and the remarkable results of economic and technical cooperation among various provinces, cities and regions in the past several years, we must also be aware that some noteworthy problems have emerged.

First, the problem of the scope of economic and technical cooperation.

Economic and technical cooperation should be kept within bound so that its normal development can be assured. Interprovincial cooperation using the materials, funds and technology at the disposal of the localities must be carried out within the scope permitted by the state. Within this scope, various regions can supply one another's needs, help supplement the state's plans and bring about harmonious economic growth. Great flexibility is required if economic and technical cooperation is to serve as a "supplement" to the state's plans.

Second, the problem of the character of economic and technical cooperation. Interprovincial economic and technical cooperation constitutes a relationship of mutual coordination and mutual support. Helping one another with what they are good at will promote their common economic prosperity, while helping others also means an opportunity to develop oneself. The actual goal to strive for in cooperation, the form and method of cooperation and the distribution of economic benefits should all be settled through discussion by both or more parties, and should be determined on the basis of unanimity.

Third, the problem of management in economic and technical cooperation. Economic and technical cooperation must first of all be coordinated with state plans so that it can be helpful to the implementation of state plans and serve as a supplement to these plans. Should there be any conflict between this cooperation and state plans, the former must be subordinated to the latter, and state plans must occupy the foremost position. The materials and funds called for by the cooperation should mainly be used in technical transformation of the existing enterprises or to develop intensive expanded reproduction, but there should never be any blind choice of location or duplicate construction. Cooperation between both parties should be based on economic contracts which must be scrupulously observed. There should be active leadership over the cooperation and suitable functional organs should be set up to provide this leadership.

The history of economic and technical cooperation among various provinces and cities is still brief, but it has already shown its vitality. This novel economic relationship will continue to develop and perfect itself along with the restructuring of the economic system. We must continue to sum up our experiences so that this new economic relationship will develop into perfection and play its full role in the socialist modernization program.

ECONOMIC PLANNING

REGIONAL ECONOMIC, TECHNICAL COOPERATION ENCOURAGED IN TIANJIN

Tianjin TIANJIN RIBAO in Chinese 3 Mar 83 p 1

[Article: "Develop Regional Cooperation in Accordance with the Requirements of Restructuring--Municipal Government Held Meeting to Relay the Spirit of the National Economic and Technical Cooperation Report Meeting"]

[Text] The municipal government held a meeting in the Youyu Club in the afternoon of 28 February to relay and implement the spirit of the National Economic and Technical Cooperation Report Meeting and to arrange for the work of regional cooperation for 1983 in accordance with the requirements of restructuring. Mayor Li Ruihuan [2621 3843 0975] and Vice Mayor Li Zhongyuan [2621 0022 0997] spoke at the meeting.

The National Economic and Technical Cooperation Report Meeting was held at Hualrentang in Zhongnanhai, Beijing, on 26 January 1983. At the meeting held on 28 [February], Li Zhongyuan relayed the spirit of the report meeting and spoke about the development and the main tasks of the economic and technical cooperation in our municipality since the Third Plenary Session of the 11th Party Central Committee. Representatives of the first and second light industrial bureaus and the foreign trade bureau also spoke at the meeting, while the speeches of the cultural commission, the textile bureau, the chemical industrial bureau and the first commercial bureau were read out at the meeting.

The participants at the meeting stated that economic and technical cooperation activities in our municipality have developed gradually after the Third Plenary Session of the 11th Party Central Committee. By the end of last year, we had already developed such cooperation with 23 provinces, municipalities and autonomous regions and formed long-term cooperative relationships with 14 of them. The substance of cooperation has continued to intensify.

The participants pointed out: Despite its progress to a certain extent, the regional cooperation in our municipality is still far short of the requirements of the central authorities and the demands of the present situation, mainly because our minds are not sufficiently emancipated and our restructuring is not being carried out with sufficient fervor and boldness. We must pluck up our courage and conscientiously implement the spirit of the National Economic and Technical Cooperation Report Meeting under the guiding thought of restructuring in order to bring about a new development in the work of regional cooperation and to greatly improve economic results.

The orientation of regional cooperation in the municipality is "to implement the principle of 'internal combination and external expansion' by centering our efforts closely around the strategic objective set by the 12th Party Congress, in the spirit of restructuring and under the guidance of state plans. We should give full play to the technology of the coastal industrial cities and the superiority of the trading ports, focus our efforts on the improvement of social economic results, and develop various forms of combination and cooperation with the fraternal provinces and municipalities in science and technology, in personnel training, in developing energy and exports, in producing and supplying auxiliary equipment, raw materials and nonstaple food-stuffs, and in selling products. At the same time, we should make further arrangements for various departments to support their counterparts in the national minority regions." In accordance with this orientation, we should pay attention to the following priority tasks:

1. Planning for cooperation in the key trades, key products and key materials. After careful investigations and study, each industrial bureau should first select a key trade, a brand-name product of a fairly advanced technology, and the products which are needed in large quantities for the domestic and foreign markets, and for which the present productive capacity is inadequate, as the targets for combined management or cooperation. The related plan should be submitted before 1 October this year. There should also be a 3-year plan for those key materials which will be needed in large quantities for production and construction in the next 3 years in Tianjin since their supply from the limited state distribution and local production will be inadequate for the demand.
2. Actively developing combination and cooperation primarily for the transformation of old enterprises and old products. Technology will be used as the main contribution to the "partnership."

In coordination with the Sixth 5-Year Plan, all industrial bureaus should select those products which are produced in our municipality with fairly advanced technology, and are needed in large quantities on domestic and foreign markets, to be used for transforming the old enterprises. Production of these products may require high energy consumption, but it has to be undertaken nevertheless. Combination should be formed with the inland with technology as our main contribution to the "partnership." The companies under various industrial bureaus should undertake one or two such combined projects within this year.

3. Organizing experiments in production, supply and marketing among various regions for serving the reorganization and combination of enterprises.

The municipality should select the carpet trade for experiment. From the processing of raw materials to the export of finished products, socialized mass production should be organized, while economically combined companies for production, supply and marketing should be formed across regional boundaries. This type of work is fairly complicated because it involves important policy issues and a wide range of problems and calls for extensive reforms. Therefore, it should be handled in a planned and systematic way under strong leadership.

All industrial bureaus should each select one product for investigation and study in the correct spirit and then formulate their plans to proceed with the experiments when the conditions are ripe and approval has been received.

4. A vigorous program of personnel training should be conducted according to the needs of the four modernization drive.

5. To promote technological progress, we must conduct scientific research and technical cooperation extensively.

6. We should actively promote combination and cooperation in the sphere of circulation with priority for foreign economic relations and trade and foreign trade.

7. Strong support should be given to various sectors in Gansu by the same sectors in our province.

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ECONOMIC PLANNING

BRIEFS

YUNNAN PHOSPHORUS MINING--The department concerned in Guangdong has recently signed a 10-year contract with the department in charge of phosphorus ores in our province for phosphorus mining in the form of compensatory trade. Our province has rich phosphorus deposits, but is short of funds for mining construction. Guangdong has no phosphorus resources; each year, it has to rely on state distribution which, however, still leaves some gap. After mutual consultation, the departments concerned of both provinces decided to develop socialist cooperation by supplying each other's need. A 10-year contract, effective from this year to 1992, has been signed for phosphorus mining in the form of compensatory trade. The contract provides that Guangdong will each year invest in our province 2.5 million yuan--which need not be repaid--to accelerate the exploitation and construction of small phosphorus mines in our province; and in the next 10 years ending 1992, our province will supply Guangdong 50,000 tons of phosphorus ores every year, or a total of 500,000 tons in 10 years. The departments concerned of both provinces are now conscientiously carrying out the contract obligations. [Text] [Kunming YUNNAN RIBAO in Chinese 16 Feb 83 p 1] 9411

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ECONOMIC MANAGEMENT

SIGNIFICANCE OF GOODS IN STOCK IN BUSINESS MANAGEMENT DISCUSSED

Shenyang LIAONING RIBAO in Chinese 13 Mar 83 p 3

[Article by Liu Baoshan [0491 1405 3790] and Yang Zhengwei [2254 2793 4850]:
"Handle Goods in Stock Like Guarding a Pass"]

[Text] Stocking is an important link in the turnover of funds used for the production of finished goods, and the changing index of goods in stock is like a barometer showing the use of these funds. To accelerate the turnover of funds and to reduce the coefficient of circulating funds being used, we must handle our goods in stock as though we are guarding a strategic pass. We must minimize the period of stocking and hold the stock on hand at an appropriate level.

In the past 2 years, the index of goods in stock in the Shenyang municipal mechanical and electrical appliance sector has been fairly large. From January to the end of October 1982, compared with the same period in 1981, the changes in stocking for various reasons were as follows: total goods in stock, down 9.7 percent; goods awaiting delivery, down 0.87 percent; goods returned, down 45.1 percent; stagnant goods, down 27.8 percent; and amount of expected goods in stock, down 19.6 percent. The drop in the total amount of goods in stock was one of the important factors in the favorable turnover of funds used in producing finished products.

The factors in the reduction of goods in stock were as follows: Because of the careful handling of overstocked goods, the portion of stagnant goods reduced amounted to 65.1 percent of the reduction in the total amount of goods in stock. The attention of many enterprises to the quality of their products, coupled with the enforcement of the contract law, reduced the amount of returned goods, and the amount of such reduction contributed 21.2 percent in the reduction in the total amount of goods in stock. Again, because of the guiding thought of producing on the basis of marketing, the reduced portion of expected goods in stock accounted for 43.3 percent of the reduction in the total goods in stock.

However, the total amount of goods in stock from January to the end of October 1982 was still very large, tying up 7.4 percent of the circulating funds and 29.4 percent of the total funds used in the production of finished products. The causes were as follows:

1. Rise in the ratio of goods awaiting delivery to the total amount of goods in stock. Because of power shortage, many enterprises were unable to maintain a balanced production of different varieties. Poor management in packaging, storage, dispatching, and other links also slowed down turnover and increased goods awaiting delivery. The special lines for some plants were poorly managed and the operation of railways could not be on time. This also slowed down the circulation of goods.

2. Although the expected goods in stock, not produced under contract, was 19.6 percent less than in 1981, more than 75 percent of the enterprises still have problems with such stocking.

3. The returned goods were mostly of inferior quality and high prices, and cannot be easily disposed of. They could only accumulate.

To reduce the stock of goods, we feel that the following measures should be taken:

1. We should build a strong foundation for the work of goods consignment and set up and perfect rules and regulations. There should be a system of indices for the handling of vouchers and account cards at every link of the circulation of goods, and specific targets should be set for every individual. These targets should be related to rewards and their fulfillment should be periodically checked by the marketing department.

2. The marketing department should enter into agreement with the production, technology, quality, financial and other functional departments inside the enterprises so that there will be clear-cut responsibility as well as rewards and punishments. The performance of these functional departments should be periodically examined inside the enterprises.

3. We should set up four evaluation indices directly reflecting the economic results of the circulation of goods, namely, the proportion of sales realized, the rate of turnover of production funds, the coefficient of funds being used, and the sales profit rate. These indices should be periodically examined by the department in charge inside the enterprise in combination with the giving of rewards.

4. People should be aware of the relationship between funds and goods in stock. Those in control of funds should also be in control of goods, while those in control of goods should be relied on to control money. By this means, those in control of funds will have a better business mind, while those in control of goods will be more accounting conscious. The method is for the accountants in charge of funds for finished products to be assigned to the sales department. A special bank account should be opened so that the bank and the financial personnel of the plant can jointly supervise the use of money.

5. The organic composition should be readjusted to suit the productive capacity for changing varieties. According to the theory on the service

life of products, the demand for any product, no matter how great right now, will sooner or later reach the saturation point, and, along with the development of technology and the changes on the market, the product will some day become unwanted. The enterprise's productive capacity must be adapted to these changes. Therefore, there is an urgent need to readjust the organic composition in a planned way in order to suit the ever changing market.

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ECONOMIC MANAGEMENT

LIST OF ENTERPRISES INCURRING LOSSES IN LIAONING PUBLISHED

Shenyang LIAONING RIBAO in Chinese 7 Feb 83 p 2

["Which Enterprise Incurred Business Losses Last Year?--Provincial Party Committee and Provincial Government Authorized this Paper To Publicize the List of Enterprises Incurring Losses"]

[Text] Recently, the department concerned revealed to our reporter that although industrial production in our province in 1982 went beyond the goal of "guaranteeing a 3 percent and striving for a 4 percent [increase]" and the comprehensive economic result has been improved, there are still many enterprises incurring business losses. These enterprises have not only failed to deliver their profits to the state, but have also had to survive on state subsidies or on the fruits of labor of the advanced enterprises and their workers and staff members. This situation must be changed as quickly as possible.

With the exception of some losses incurred in the implementation of policies, most of the losses of these enterprises were attributed to inefficient management and serious waste. This is mainly a problem of the mental attitude of cadres. Therefore, all these unprofitable enterprises and units must mobilize the masses to conduct serious economic analyses and to take concrete measures based on actual conditions to reduce or eliminate the losses within certain time limits. If any enterprise continues to incur losses and is unable to stop it, its leaders will be dismissed on the spot. Those who have the determination to reverse their backwardness can sign their "military pledges" and set time limits for the reversal. Some enterprises have to be closed, suspended, merged, retooled or combined in good time. There must be a spirit of reform for turning losses into profits. The system of responsibility for management must be instituted in various forms, and the policy of responsibility for losses must be implemented. All enterprises incurring losses and their cadres and workers must pluck up their revolutionary courage and make an effort to meet the demand of the provincial party committee and the provincial government for basically eliminating the losses from inefficient management within 2 years and to contribute to the success of the four modernizations with actual deeds.

To spur on the localities, departments and enterprises to take resolute measures to turn their losses into profits, the provincial party committee

and the provincial government have authorized our paper to publicize the list of enterprises, which incurred losses in 1982, as follows:

List of State-Run Industrial Enterprises in Provincial Budget Losing More Than 500,000 Yuan in 1982. (Names of those losing less than 500,000 Yuan will be announced by the municipalities and prefectures)

Shenyang Municipality: 16

Shenyang Metallurgical Equipment Plant
Shenyang Municipal 213 Coal Mine
Shenyang Municipal Bicycle Accessories and Spareparts Plant
Shenyang Municipal Ceramics Commodities Plant
Sujiatun Paper Mill
Shenyang No 4 Municipal Red Brick Factory
Shenyang Turbine Plant
Shenyang Municipal Amplifier Plant
Shenyang Municipal Computer Plant
Liaoning Precision Instruments Plant
Shenyang No 5 Municipal Radio Plant
Shenyang Tractor Plant
Shenyang No 2 Municipal Tractor Plant
Shenyang No 2 Municipal Diesel Engine Plant
Shenyang Municipal Vehicle Motor Plant
Shenyang Municipal Cast Parts Plant

Dalian Municipality: 11

Dalian Iron Smelting Plant
Jinxian Coal Mine
Fuxian Chemical Fertilizer Plant
Zhuanghe Phosphate Fertilizer Plant
Xinjinixian Power Generator Plant
Fuxian Coal Mine
Fuxian Phosphate Fertilizer Plant
Xinjinixian Industrial Sewing Machine Plant
Fixian No 1 Farm Machine Plant
Fuxian Paper Mill

Anshan Municipality: 7

Taianxian Phosphate Fertilizer Plant
Anshan Municipal High-Pressure Container Plant
Anshan Municipal Internal Combustion Engine Plant
Anshan Municipal Clock and Watch Factory
Anshan No 2 Municipal Machine Tool Plant
Anshan No 3 Municipal Machine Tool Plant
Anshan Municipal Projector Plant

Fushun Municipality: 11

Dongling Steel Foundry
Fushun Municipal Vehicle Motor Plant
Fushun Municipal Diesel Engine Plant
Fushun Municipal Electronic Instrument Plant
Fushun Municipal Brewery
Fushun Municipal Warp Knitting Mill
Qingyuanxian Chemical Fertilizer Plant
Fushun Municipal Wireless Machinery Plant
Fushun Municipal Engineering Vehicles Plant
Fushun Municipal Radio Plant
Qingyuanxian Paper Mill

Benxi Municipality: 6

Nuanne Coal Mine
Benxi No 1 Municipal Radio Plant
Benxi Municipal Wire Cable Plant
Benxi No 4 Municipal Radio Plant
Benxi No 3 Municipal Radio Plant
Huanrenxian Brewery

Dandong Municipality: 12

Dandong Iron Alloy Plant
Gujia Coal Mine
Xiaogushan Coal Mine
Kuangdianxian Phosphate Fertilizer Plant
Dandong No 7 Radio Plant
Kuangdianxian Cotton Textile Mill
Fengcheng Coal Mine
Donggouxian Phosphate Fertilizer Plant
Dandong No 4 Radio Plant
Dandong Leather Plant
Dianxian Cotton Knitting Mill

Jinzhou Municipality: 10

Hanashan Coal Mine
Jinzhou Diesel Engine Plant
Liaoning Caopin Enamel Ware Plant
No 8230 Plant
Jinzhou Printing and Dyeing Plant
Jinxixian Machinery Plant
Liaoning Transistor Plant
Jinzhou Radio Materials Plant
No 8271 Plant
Jinzhou Cotton Textile Mill

Yingkou Municipality: 10

Yingkou Wodishan Iron Mine
Yingkouxian Chemical Fertilizer Plant
Gaixian Ball-Bearing Plant
Yingkouxian Tractor Repair Plant
Dawaxian Xinli Paper Mill
Gaixian Chemical Fertilizers Plant
Yingkou Municipal Insulation Materials Plant
Gaixian Farm Machine Repair Plant
Gaixian Enamelware Plant
Dawaxian Dyeing and Knitting Mill

Fuxin Municipality: 3

Fuxin Menggol Autonomous County Paper Mill
Fuxin Menggol Autonomous County Knitting Mill
Fuxin Municipal Weaving Mill

Liaoyang Municipality: 5

Liaoyang Municipal Huazi Chemical Industrial Plant
Liaoyang Municipal All-purpose Instrument and Meter Plant
Liaoyang Municipal Chemical Plant
Liaoyang Municipal Dengta [Lighthouse] Chemical Fertilizer Plant
Liaoyang Municipal Building Materials and Machinery Plant

Chaoyang Prefecture: 10

Heshanggou Coal Mine
Luo Zhangzi Coal Mine
Toudaowan Coal Mine
Binggou Coal Mine
Chaoyangxian Chemical Fertilizer Plant
Chaoyang Municipal Engineering Machinery Plant
Dongsheng Coal Mine
Ershi'iazi Coal Mine
Chaoyang Prefectural Vehicle Accessories Plant
Chaoyang Prefectural Fiber Plant

Tieling Prefecture: 9

Tieling Prefectural Coal Mine
Gaojia Coal Mine
Tieling Prefectural Optical Instrument Plant
Tieling Prefectural Kaiyuan Paper Mill
Kangpingxian Paper Mill
Changtu Coal Mine
Kangping Coal Mine
Xifengxian Farm Machine Plant
Kaivuanxian Cement Products Plant

Directly under the Province: 11

Huanren Pharmaceutical Plant

Sadaohao Coal Mine

Yangzhangzi Mine

931 Plant

Yentai Coal Mine

Tieling Coking Plant

Huatong Copper Mine

9657 Plant

9276 Plant

Anshan Ball-bearing Plant

Shenyang Ball-bearing Plant

(Total 121 Enterprises)

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ECONOMIC MANAGEMENT

REFORM IN MATERIAL CONTROL THROUGH CONTRACT SYSTEM STUDIED

Shenyang LIAONING RIBAO in Chinese 13 Mar 83 p 3

[Article by Northeastern Metallurgical Material Control Association: "A Preliminary Exploration into the Reform of Material Control in Enterprises"]

[Text] For a long time, there have been many defects among the departments of material control in the industrial enterprises. The control of supply and marketing, finance, and personnel by the enterprises over their material departments has been so rigid that these departments have lost their own initiative and flexibility. Egalitarianism prevails inside the departments, since the merits and demerits of workers have nothing to do with their personal benefits. The basic wages have become the attendance wages, and the bonus, to which everyone is entitled, has become part of their regular wages. The workers have lost their initiative and sense of responsibility. These defects in material control have caused not only the loss of vitality among the material departments but also serious obstruction to the improvement of economic results. This situation must be changed.

How should it be changed? I believe that the materials departments of the enterprises should adopt a system of contracts, or a system of responsibility for management based on contracts, whereby the interests of the state, the collective and the individuals will be combined, and the fruits of labor will be linked with the welfare of workers. To be specific, the material departments should sign contracts with the enterprises in matters concerning the control of supply and marketing, finance and personnel. There should be all-round contracts for supply and funds and a set of indices and criteria for evaluation which will reflect the economic results of the department itself and the enterprise as a whole. If the supply task is overfulfilled and money is saved, funds can be appropriated according to the amount of above-quota supply and from the amount of money saved at a certain proportion. Failure to complete the task will be punished. The appropriated funds should be used mainly on the development of production and on welfare and rewards for workers. Inside the department, the amount of income for individual workers will be decided by the magnitude of their responsibility and contributions, and the important indices should be applicable to every shift and team as well as every individual so that every worker will be clearly aware of his own responsibility.

The material department is by no means absolutely independent even after the adoption of the contract system. It is still the material department of the enterprise. It is subordinated to the production department and should serve production. Therefore, all its activities must be based on production, and it should make every possible effort to guarantee production. The enterprise's production must be increased and its economic results must be improved before the material department of the enterprise can share its increased income and gain extra benefits. Therefore, while adopting the contract system, we must be careful to overcome the tendency toward one-sidedly stressing the interests of the department itself. We must bear in mind our obligation to serve the enterprise and its production.

The reform in the material department of an enterprise will inevitably bring about a reform in the entire system of material circulation and in the form of management. In the past, we usually encountered this situation: In the relationship between the material department at the higher level and the enterprise, responsibility, rights and interests are disjointed; those who received benefits did not control supply, while those controlling supply got no benefits; the directly affiliated units received no direct supply, but direct supplies were sent to those units which were not directly affiliated. The control of planning was too rigid. There were too many levels and intermediate links, but too little channels, resulting in the choking of circulation. Restrictions from the central and the local authorities were also overly rigid and the units treated one another as their dumping ground. As a result, people could not get what they wanted, but were oversupplied with what they did not want. Instead of following natural directions, materials flowed according to administrative affiliations, causing numerous unnecessary detours in transportation. All these old conventions and restrictions must be resolutely and systematically changed on the basis of investigations and study. An all-round and systematic reform will in return promote and guarantee the smooth progress of reform in the material departments of enterprises.

ECONOMIC MANAGEMENT

RAPID GROWTH OF THREE COLLECTIVE PLANTS IN HARBIN REVIEWED

Harbin HEILONGJIANG RIBAO in Chinese 17 Feb 83 p 2

[Article by Huang Shan [7806 1472] and Chun Xun [2504 7134]: "How 'Snowballs' Continue To Become Larger"]

[Text] Three collective plants engaged in packaging and printing, candy and beverage business, and food processing respectively, under the Nangang District Industrial Bureau in Harbin Municipality have grown rapidly like snowballs in 2½ years and attracted the attention of other enterprises in the same trades.

In 1982, the total combined output value of these three plants was 6.5 million yuan. Since June 1980 when these plants were first built, their total profits have reached 1.39 million yuan, being 6.6 times the investment of 0.21 million yuan.

How could these three plants have developed so fast and achieved such remarkable economic results? As shown by their experiences, they have given full play to the superiority of collective enterprises. Instead of holding any "iron rice bowl," they relied on their own efforts, and under their labor quota system, those who worked more would receive more. There was no such thing as "eating from the same pot." The interests and future of workers and staff members were closely interwoven with the destiny of the enterprises, and this relationship was the source of tremendous vitality for the enterprise. In operation and management, they had the following special characteristics.

Building Enterprises through Arduous Effort, Running Them with a United Will

The plants were built in the suburbs where they made use of the facilities left in farms and pastures by some young people. Because of the improvised methods used, they needed little investment and were able to start operation quickly. Furthermore, there was plenty of room for future development. When the packaging and printing factory was set up in June 1980, it spent 70,000 yuan, obtained from a loan, on the purchase of several sets of old packaging equipment and started operation in the same month. By the yearend, its output value was 400,000 yuan with a profit of 70,000 yuan. The capital was recovered in the same year. Last year, the personnel of this

Plant was increased from 120 at the beginning to 350, and the annual output value reached 3.3 million yuan, with a profit of 500,000 yuan. Its economic situation could be said to be satisfactory, but up to that time, not a single person talked about welfare or better treatment. All the workers were united as one in an effort to run the plant well.

Oriented to the Market, Courageous in Filling Gaps

While investigating the market trend in the first half of last year, the packaging and printing plant discovered that plastic printings and printed candy wrappers were in short supply in the municipality. Some units should have increased the output of these products, but they did not. This plant, therefore, determined to fill this gap in the second half year. After obtaining the bureau's concurrence, this plant spent 72 yuan importing a complete set of equipment, and 20 months' time building a factory building of 1,100 square meters. A test operation was carried out in December, and regular production began in January this year. Soon it was flooded with orders.

The candy and beverage plant began to produce candies in December 1980, and in 1982, because of changes in the market and plentiful supplies, people had new demands on candies. In the course of investigation, this plant discovered that people liked Shanghai candies, and tried every way to enlist the help of a retired engineer from Yimin Plant in Shanghai. It also built a workshop for the new product and soon Shanghai candies were produced. Now, after some trial, it is producing nine varieties of candies, and six of them are so popular that their supply cannot catch up with the growing demand.

While producing popular meat products, the food-processing plant also specially produced sausages of southern flavor for the southerners. Last year, it began to process oxheads and sheep legs which very few people thought of doing. Since such processing calls for a great deal of labor and yields little profit, food plants generally did not want to do it. However, since consumers like them and the source of materials was available, it would be profitable to process them in large quantities. Last year, this plant processed 300,000 jin of these materials and earned from this source alone a profit of 56,000 yuan.

High Regard for Technology and Reputation

Competitive power of products is a decisive factor in a plant's destiny. The key issues here are the quality, production cost and reputation of products, and technology is the key to fine quality. Realizing its importance, these three plants have highly regarded technology and technical training. Since more than 80 percent of the workers in these three plants were young people, they had only a weak technical force. In view of this, the food-processing plant hired 13 veteran workers as shift leaders as soon as it began operation. The work procedures were all streamlined and soon a backbone force of young workers was formed. The packaging and printing plant also adopted the method of "inviting in and sending out." Last year,

five groups totaling more than 60 persons were sent to Shanghai and other places to study, and a complete technical force, competent to handle everything from typesetting to design and operation of new equipment, was trained. Now the workers of the plants are all up to the level of third-grade workers. This plant has also set up a system of periodical evaluations for promotion; this system has greatly aroused the enthusiasm of workers in studying technology. The quality of its products continued to improve.

These three plants also made great effort to strengthen their management and to lower their production costs. They set up various rules and regulations to prevent eating, pilferage, giving away, or causing damage of any kind. Before production, the food-processing plant would first figure out the production cost. For processing sausages, the local supply of third-grade meat was not enough, and the use of first- or second-grade meat would raise production cost a great deal. To solve this problem, it sent people as far as Hebei, Shandong and Nei Menggol to procure third-grade meat. Last year, instead of losing money, this plant made a profit of more than 200,000 yuan.

The packaging and printing plant has taken comprehensive measures for raising labor productivity, organizing rational registering and cutting, and economizing on expenditures. As a result, its production cost is generally lower than those of others of the same trade by approximately 15 percent. Very recently, it has taken the initiative of lowering its processing charges for two types of products. For example, in processing cardboard boxes for a watch plant, the charge was reduced from 4.65 yuan to 4.45 yuan; and for the cardboard boxes for an enamelware plant, the processing charge was lowered from 2.5 yuan to 2.3 yuan each. Its task of supplying goods for packaging and printing for exports and domestic sales was completed with quality, quantity and delivery time guaranteed. It has won the confidence of customers.

Expert Leaders Working in Shifts

The leaders of these three plants are all experts. More important still, they dare to work hard and stand hardship. They serve as commanders as well as fighters. They joined the workers in their work shifts in which they would discover and promptly solve problems. They have become the vanguard in opening new prospects. Prefectural Party Committee Secretary Ma Deshan [740 1740 1472], Prefecture Chief Gu Yanhe [6258 3543 0735]; Deputy Prefecture Chief Luo Shulin [5012 2885 2651], who was in charge of industry; and other comrades frequently enquired about the conditions of production and personally helped solve the problems. It was through their warm support that these three plants could have developed so rapidly.

0422

CSO: 40561451

ECONOMIC MANAGEMENT

INVESTMENT CONTRACT BETWEEN PROVINCIAL, PREFECTURAL ORGANS SIGNED

Lanzhou GANSU RIBAO in Chinese 17 Feb 83 p 1

[Article by Yan Jingyu (7051 2529 7183): "Provincial Economic Commission and Zhangyi Prefectural Economic Commission Signed Contract on Technical Transformation Investment"]

[Text] After 3 days' discussion, the provincial economic commission and the prefectural economic commission of Zhangyi have signed a technical transformation agreement. According to this agreement, the prefectural economic commission will receive a bonus of 90,000 yuan, while the loan will be changed into financial allocation if it fulfills its contractual obligations; otherwise, it will have to repay the loan with interest and be fined 90,000 yuan.

According to planning, the prefectural economic commission will selectively carry out technical transformation among the existing prefectural and county enterprises in the next 3 years, and requires a total investment of 27 million yuan. The financial departments of the prefecture and counties have raised 18 million yuan, and the provincial economic commission supplied the remaining 9 million yuan including 3 million yuan in the form of a low-interest loan. When the prefectural economic commission has completed the stipulated technical projects in 3 years, its output value will be increased by 36.55 million yuan with an increase of 8.75 million yuan in taxes and profits. These transformation projects should be able to produce full effects in 3 years, by which time the total industrial output value in the prefecture would be increased from 101.22 million yuan in 1980 to 180 million yuan and would even be doubled through some extra effort. The taxes and profits realized would also be increased from 8.48 million yuan in 1980 to 18 million yuan, or more than doubled. Provided the financial allocation is held at the same level as in the previous year, the economic results should be markedly improved. The two economic commissions agreed that if the prefecture could complete its plan of transformation, and the targets of output value and of taxes and profits are all fulfilled, the provincial economic commission would change the 3 million yuan, included in the supporting funds, into financial allocation--which need not be repaid--and award a bonus equivalent to 1 percent of the total supporting funds. On the other hand, if the contractual obligations are not fulfilled,

the 3 million yuan in the supporting funds will have to be repaid with interest. Furthermore, a fine of 90,000 yuan will be imposed on the prefecture, and this amount will be deducted by the provincial financial department from the prefecture's funds. All the transactions regarding the supporting funds and the loan were supervised by the Bank of Construction in the prefecture. The provincial economic commission will assist the prefecture in working out the transformation plan besides providing technical guidance.

To carry out the plan and to guarantee the completion of the transformation task, the prefectural economic commission has set up a system of economic responsibility based on contracts for every level from the prefectural economic commission and the bureaus in charge down to the counties, enterprises and procurement agents with regard to funds, materials, conditions of cooperation, and the quality, progress, speed and results of the contracted projects. All units concerned have to sign contracts and every individual will have his own responsibility.

9411

CSO: 4006/451

ECONOMIC MANAGEMENT

ENTERPRISE LEADERS DISMISSED OR PROMOTED IN LIAONING

Beijing CONGREN RIBAO in Chinese 24 Feb 83 p 1

[Article by Song Jingli [1345 2529 0448] and Su Shuqiao [5685 2885 5062]: "Distinctive Rewards and Punishments in Fuxin Municipality During Restructuring"]

[Text] At a meeting of the municipal industry and communications cadres recently held by the municipal party committee and the municipal government of Fuxin, Liaoning Province, 70 enterprise party secretaries who had outstanding performances in turning losses into profits last year were rewarded and promoted, while another 15 secretaries and factory directors who were incapable of changing the situation in their enterprises were summarily dismissed.

This decision by the municipal party committee and the municipal government of Fuxin was reached in early October last year. At that time, 79 enterprises at or above the county level in the municipality incurred losses with serious effects on economic development and state revenues. In the opinion of the municipal government, the causes of losses were as follows: first, the mental attitude of the enterprise leaders who lacked the confidence or courage to turn the losses into profits; and second, poor management by some cadres who were incapable of stopping the losses. There were also a few cadres who thought that if they did not do well in one place, they could go to some other place and still retain their titles as secretaries or factory directors. They did not feel the urge to stop the losses and had no sense of responsibility. Therefore, in early October last year, the municipal party committee notified the secretaries and factory directors then in office, that if they were unable to stop the losses of the enterprises, they should resign instead of remaining to be a hindrance. If the enterprise continued to incur loss because of subjective causes, the leaders concerned would be removed from their posts and not allowed to take up posts elsewhere. In other words, they would be dismissed on the spot. At the same time, those secretaries and factory directors who make outstanding contributions in turning losses into profits will be rewarded and promoted to more important posts.

This decision by the municipal party committee and municipal government of Fuxin cause quite a stir among the cadres and people throughout the

municipality. Many enterprise party committee secretaries and factory directors have signed their "military pledges" to stop the losses. They also led the workers and staff members to do meticulous accounting, to tap the resources and to work out the necessary measures for enforcing the system of economic responsibility at all levels. The municipal electronic industrial bureau formerly had three unprofitable enterprises. Li Benqi [2621 2609 1142], secretary of the bureau party committee, led some cadres to sign contracts of rewards or punishments with the unprofitable enterprises on the understanding that rewards would be given if the losses were turned into profits before the yearend; otherwise the bureau leaders and the enterprise cadres would have to forfeit 30 percent of their salaries. Because they opened more avenues of production and paid greater attention to marketing, they not only eliminated the losses for the enterprises but also increased their profits by 50 percent over the planned figure by the end of the year. The municipal party committee raised Li Benqi's salary by one grade. In No 4 Municipal Chemical Industrial Plant, there was not only chaos in management but also fraudulence in operation. During the 14 months of production since last year, falsified outputs were reported in 9 months. More than 4,800 tons of phosphate fertilizers were lost causing an economic loss of more than 578,000 yuan. The municipal party committee and the municipal government dismissed Wang Jingwen [3769 2529 2429], secretary of the plant's general party branch and concurrently factory director, in disciplinary action; and three vice factory directors were given demerits of varying grades. Many newly appointed enterprise cadres were impressed by the municipal party committee's effective policies and are in high spirit and full of vigor. In the municipal transformer plant, Ma Junhe [7456 0193 0735], newly appointed secretary of the general party branch; and vice plant directors Zhou Renlao [0719 0117 0525] and Ceng Fanjiu [2582 0416 0036] strongly enforced the system of economic responsibility throughout the plant. They also strengthened the management, reformed the production technology and paid great attention to the quality of products. As a result, the production cost for each set of transformers was reduced from 3.157 yuan to 1.342 yuan. The loss was basically turned into profit as early as January this year, and the enterprise recovered its vitality.

04.1

CSO: 4506/451

ECONOMIC MANAGEMENT

LAWYERS HIRED BY SHANGHAI ENTERPRISES AS LEGAL ADVISERS

Beijing RENMIN RIBAO in Chinese 6 Apr 83 p 4

[Article by Guo Weicheng [6753 0251 2052]: "If Law Is Used in Economic Management, the Enterprises' Problems Will not Be Difficult"]

[Text] Seventy enterprises in Shanghai have invited lawyers to serve as their legal advisers. Since the use of legal means to settle economic disputes has solved many perplexing and difficult problems, legal advisers are now welcomed by enterprises and public agencies.

The first legal advisory office opened in Shanghai in April 1981. At that time, there was a lawsuit which aroused great public interest. The defendant was the director of Feilin Yarn Factory in Shanghai. The incident began with the request by Feilin Factory for repossessing the premises which had been leased to a certain factory in the 1950's. The tenant unit agreed to return the premises, but, unexpectedly, an electric engineering university under a certain bureau took over the premises and refused to evacuate them. When the university was on vacation, Feilin Factory took the opportunity to demolish part of the buildings, ostensibly carrying out house maintenance, but actually trying to evict the university. The procurate then preferred public charges against the director of Feilin Factory for the crime of "attacking and smashing." Feilin Factory consulted the first legal advisory office, and lawyers Zhang Zong [1728 0022] and Zheng Xuecheng [6774 1331 6134] agreed to serve as this factory's counsels in the defense. Through investigations, it was ascertained that Feilin Factory's proprietary right was valid and should be protected by law. The lawyers accordingly defended the factory's legal interests at the law court. The defense was accepted and the case closed without any punishment to the defendant. Feilin Factory was impressed by the role of these lawyers and decided to hire them as legal advisers. A room in the factory building was set aside to be used as "legal advisers' office." This incident later became a favorite topic of talk among the enterprises in Shanghai.

Shanghai Mechanical and Electrical Equipment Supply Company has signed contracts with many cooperating units. However, in the absence of even a semblance of a contract-control system, wranglings were incessant, while mistakes and disputes were "things of common occurrence." The former method

of settlement was to "let the state pay a little and the enterprise compensate a little." As a result, neither the negotiations nor the compensation could ever end, and hundreds of thousands of yuan had to be spent on this account every year. This was a serious hindrance to the improvement of economic results. The company hired lawyers as legal advisers along with the reorganization of enterprises. On one occasion, the company accepted an order for a large boiler from a customer in some other place. Because of a typhoon and the consequent problems in railway transportation, the delivery was behind schedule. The customer filed a suit for compensation of the loss caused to his production by the delivery delay. The legal adviser represented the company in court. He pointed out that since the delay in delivery was attributed to objective factors beyond human control, the company should not be held liable. The court accepted the lawyer's defense and the company avoided a loss. The legal adviser also told the relevant department of the company that had the wording of the contract been more specific, this litigation could have been avoided. Therefore, the company asked the legal advisers to draft the contracts in legal terms and to review a large number of contracts already signed. Under the guidance of the legal advisers, a sound system of contract management was set up and consolidated, and work efficiency was raised.

Thus legal advisers almost immediately became in "hot demand." Not only plants and enterprises, but also the 10 large hotels including Jinjiang and Guozhi, the banks, DEMOCRACY AND LEGAL SYSTEM Magazine, JIEFANG RIBAO and many other units have now hired legal advisers. Last year, the legal advisers helped the units concerned recover 4.13 million yuan in loans, reviewed 6,528 contracts, provided 517 consultations, and represented their clients in 59 cases.

To better disseminate legal knowledge, the first legal advisory office also held 15 lecturing sessions on legal knowledge for the plant directors, managers and middle-level cadres of various enterprises. These sessions were attended by more than 3,000 persons. In the second half of this year, the first legal advisory office prepared to cooperate with the legal experts in Shanghai's institutes of higher learning in running study classes on a fairly regular basis for part-time lawyers and in helping enterprises train their own legal personnel.

44.1
CS: 4006/451

ECONOMIC MANAGEMENT

PROBLEMS IN ECONOMIC CONTRACT SYSTEM CITED

Shenyang SHICHANG ZHOUBAO 10 May 83 p 1

[Article by Ma Zhongzhi /7456 1813 2535/ : "Several Problems in the Present Urban Economic Contract System Which Should Gain Our Attention"]

[Text] Since the urban economic contract system was begun in the fourth quarter of last year in Shenyang, developments have been quite rapid and results have been quite good. It has mobilized the positive force of enterprises and their staffs and workers and upgraded economic results. However, because our experience is insufficient, some problems have emerged which should gain the attention of departments concerned.

1. Contract agreements have not been strictly adhered to: contracts have guaranteed earning profits but not responsibility for deficits. Some contract units or individuals often work only if benefits are present and disperse when benefits are not present. Problems such as contracts guaranteeing benefits but not assigning responsibility for deficits and contracts for sections of work have appeared. This has created a situation in which the form of the economic contract system has degenerated and caused the country and the collective to suffer. For example, Tianshan Nonstaple Grocery has twenty-two sections. After the contract system was instituted, four sections showed deficits. According to regulations in the contract agreement, fines should have been deducted from basic wages, however, this was not carried out. Basic wages were still given to the workers.

2. The interests of the three parties (the state, the enterprise and the individual) have not been handled well. They have favored the individual. A few units have paid attention to showing consideration for individual income while neglecting the interests of the state and the collective. For example, in December of last year Shenyang's comic dialogue team in the Folk Art Troupe independently implemented the contract system. The contract stipulated that income from performances would be distributed proportionally, yet actual individual income unexpectedly amounted to 56 percent, by far the largest amount. The state and collective only got 25 percent. They took 15,438 yuan more than was rightfully theirs. On the average, everyone got 551 yuan more, the highest received was more than 1,300 yuan.

1. Staff and workers on the contract system infringe upon the interests of units which have not yet implemented the contract system: the small pot scoops up the large pot's food. The "February 7th" Butcher Shop in the Tianshan Nonstaple Grocery was contracted by two workers. According to regulations, they would pay operating expenses and income would revert to them. During actual operation, in order to reduce expenses, the two of them not only went to the grocery to obtain wrapping paper and coal for heating, but they even took the meat to be ground in the grocery. The result was that the two of them split 919 yuan for 2 months. According to recalculations, expenses for ground meat alone cost the state 120 yuan.

2. Disguised price hikes have infringed on consumer interests. According to an investigation of nine restaurants in Dadong District in regard to six kinds of staple foods, it was unexpectedly discovered that seven restraints were not providing the full advertised weight of the product. In another example, the side-door retail department of the Cisi Shop in Shenhe District had, without authorization, sold second-class apples as first-class apples; the Erjing Shop's Xinxin retail department sold prams in one liang packages, but a check revealed that five packages weighed only 4.2 liang. Xianonan Shop's Xianfeng retail department sold parity-priced bean curd at double the price by selling it at a negotiated price.

3. Disregard of the policy of commodity supply to sell in large amounts. In November of last year Tianshan Shop's elementary school retail department in Huanggu District bought 12 tons of white granulated sugar from the district wholesale market, and sold it on credit to 128 factories attached to middle schools. Payment for the goods was collected after 3 months. The trading company reaped unfair gains of 2,160 yuan for this one transaction.

4. Disregard of commercial distribution and the needs of the residents and altering the scope of management. Some contract units grab at whatever can earn them money. For example, after the Liuhe Shop's Shanhe retail department in Shenhe District was put under contract, it unexpectedly began to sell top-grade pure wool gabardine to sell retail. Except for one to three clerks left in the shop to take care of business, the majority of workers went into factories to sell the wool gabardine. This affected the supply of the normal commodities of "oil, salt, soy sauce and vinegar," and led to dissatisfaction on the part of the masses.

5. Not giving consideration to short-range advantages and not handling group commodities. The warehouses of many commercial contract units have become overstocked. Some merchandise is already in such great supply that it is worthless and has created false profits or falsely disguised profits. Those who should not benefit have benefitted but in the end losses must be borne. For example, at the end of February of this year the Xianfeng retail department of the Xianonan Shop had accumulated problem commodities to their warehouse which totaled 17.3 percent of their stock. Among this stock was liquor which had already become altered in consistency, flavor and alcohol percentage. Some bottles were only half full. Cigarettes had already turned green, become hollow, was altered in flavor

is infested with insects. Another example is the Xiaochun retail department of the Huigong Shop which only paid attention to rapid selling of merchandise. They did not handle overstocked merchandise in time and losses were incurred.

8. Use of underhanded tactics to gain customers and solicit sales. After the economic contract system was instituted, some units spent money like water to carry out underhanded tactics and entertain customers. For example, after the city's Xinguang Garment Factory's sales personnel instituted the economic responsibility system according to the proportional percentage of sales made, in December of last year 5 sales persons earned an average of 176 yuan, but they only got 110 yuan apiece. The rest of the money was used to entertain the heads of firms who were their customers. If this kind of tactic is continued, it will certainly become more and more pronounced and add to the unhealthy tendency.

12360

CSO: 4006/563

ECONOMIC MANAGEMENT

CONFERENCE STRESSES RELAXING POLICY RESTRICTIONS, STRENGTHENING SUPERVISION

Guangzhou NANFANG RIBAO in Chinese 26 May 83 p 2

[Article by staff reporters Wu Ling/0702 3781/ and Shen Gongxiang /3088 1562 4161/: "Policy Restrictions Should Be Relaxed; Management Should Be Strengthened--Provincewide Conference of Industrial and Commercial Administrative Bureau Chiefs Points Out That Reorganizing and Revising or Redrafting Management Regulations Must Now Be Done According to New Circumstances--Economics Must Be Further Envigorated"/

[Text:] All industrial and commercial administrative management regulations and methods now in use which do not conform with relaxing policy restrictions and envigorating the economy must be adjusted, revised or redrafted as regional management regulations according to new circumstances in order that relaxing policy restrictions and strengthening management be carried out in the same step. This was determined after discussion by a provincewide conference of industrial and commercial administrative management bureau directors held in Guangzhou.

Since the 3rd Plenum of the 11th Party Congress, all levels of industrial and commercial administrative management departments in our province have made great strides in ridding themselves of the influence of "leftist" ideology. This has had a positive effect on envigorating the urban economies in our province. However, due to the fact that "leftist" ideological influences affected our province for a long period of time in the past, "leftist" methods still occasionally emerge in actual practice, which prevent the economic policies of the party from being further thoroughly implemented. For example, some regions are relatively strict in regulating market places. Policy restrictions which should be relaxed have not been relaxed enough. Some carry out regional economic blockades and limit long-distance transport of goods for sale. Others institute relatively heavy penalties for cases in which rules and regulations have been violated, but have no criteria for deductions and penalties. Others have given insufficient support to individual industrial and commercial enterprises by regulating them too severely and limiting them excessively. Thus, the reorganization of present-day industrial and commercial administrative management work must further eradicate the influence of "leftist" thinking and promote overall purification in regard to those currently instituted management regulations and methods which do not conform to relaxing policy

regulations and invigorating the economy. Alter those which should be amended, rework those which should be reworked, amend those which should be amended, or redraft new management regulations for a specific region. For example, in the wake of the development of the rural commodities exchange, readjustment of the currently instituted policy toward subsidiary commodity transport of goods for sale should be carried out in order to contribute to channels of circulation between urban and rural areas. Another example concerns questions of the scope of enterprise management, various types of joint enterprises, and the economic contract system, all of which must be further investigated and studied in order to formulate new regulations. In sum, every item of industrial and commercial administrative management regulations must naturally conform to the realities of new conditions and developments to give greater support to production, promote circulation, invigorate the economy, serve the construction of the four modernizations, and truly achieve the situation of the economy, being "Vigorous without being chaotic, managed but not straitjacketed."

Delegates participating in this meeting pointed out that in the past, experience in industrial and commercial administrative work had been that "When we proceed with relaxing policy restrictions and the economy becomes straitjacketed when managed." The vicious cycle kept repeating itself without properly resolving the relationship between a vigorous and a managed economy. Actually, vigor and management are a dialectical unity. Solely wishing to invigorate the economy without forceful supervision measures according pace will lead to chaos in the social and economic order, with the result of not invigorating the economy. Conversely, solely emphasizing the strengthening of supervision by limiting one thing or another, will not result in an invigorated economy. Management work would then be meaningless. Thus, we certainly want to proceed with relaxing policy restrictions and strengthening management at the same time in order to, on the one hand, invigorate the economy, proceed to protect and give guidance to legally managed enterprises and not indiscriminately interfere and, on the other hand, strengthen supervision of illegally managed enterprises and not neglect responsibility in these matters. Only in this way can industrial and commercial administrative management work better to promote the development of the urban and rural economies.

ECONOMIC MANAGEMENT

IMPROVING MANAGEMENT CONTRACT RESPONSIBILITY SYSTEM

Ningxia NINGXIA RIBAO in Chinese 14 May 83 p 1

[Article by Li Xiao [2621 4562]: "Pay Attention to the New Problems that Emerge During Reform--Zhangzheng Supply and Marketing Cooperative Continues to Improve the Management Contract Responsibility System"]

[Text] Since early January of this year, the subordinate units of the Zhangzheng supply and marketing cooperative, after implementing the management contract system, have achieved gratifying economic results. A comparison of the first season with the same period of last year shows that: the total amount of goods sold has increased 44.5 percent; the profit realized has increased 116 percent; the level of expenditure has declined 1.74 percent; the amount of taxes submitted to the state has increased 70 percent; the profit retained by the enterprises has increased 96 percent; and the individual staff members and workers have also received their deserved bonuses. However, because the management and operational personnel of the supply and marketing cooperative did not carry out the responsibility system, the improvement of economic results of the subordinate units has been hampered. For instance, after the buyer has completed his plans, if lower units still want more goods, he would not actively try to purchase them; in the past, storekeepers helped those taking delivery of goods to load their vehicles, but after the implementation of the contract system at the basic level, they are unwilling to help with loading or unloading; some operational personnel also became "envious" of the subordinates' contract system and are not content in their work.

In order to further perfect the responsibility system, the supply and marketing cooperative promptly formulated the contract-system method for management and operational personnel. First, it requires the buyer to purchase according to the assigned tasks so as to realize guaranteed purchase, guaranteed sales and guaranteed profit. If his work were to go beyond the plan, he would receive bonuses; if he were to make purchases blindly, leading to the overstocking of products, proportionate amounts of his bonuses and wages would be deducted. Second, it requires storekeepers and allocating personnel to guarantee allocations, sales and the return and adjustment of goods. Those who reach the stock and allocation capacities will be rewarded, those who exceed the stock quotas will be fined a minimum of 5 yuan. Third, accounting personnel who have done well in fulfilling the four duties will be rewarded according to their points; those with fewer than 40 points will have 7 to 30

their wages deducted. Four, it demands that the chief and assistant directors, under the premise of carrying out good ideological political work, execute the policy of guaranteeing the purchase of agricultural and subsidiary products, the sale of goods, the profit norms, the level of expenditure and prices. Points will be deducted if only one retail outlet fails to fulfill its duty. After these regulations have been laid down, operational personnel will work hard to fulfill their duties, the buyer promptly brings in such essential goods as men's and women's cloth shoes, vests and undershirts; storekeepers try as much as possible to facilitate taking delivery of goods by the mass levels, and issue whatever is requested. On 12 and 13 April, the chief and assistant directors held a meeting of responsible persons of retail stores to discuss conditions, communicate news, and to adjust surpluses and deficiencies, thereby further developing the positive nature of their work.

ECONOMIC MANAGEMENT

PROBLEMS IN REFORM OF URBAN ENTERPRISES

Guangzhou YANGCHENG WANBAO in Chinese 11 May 83 p 1

[Article by Ma Hong [7456 3163], well-known economist and President of the Chinese Academy of Social Sciences: "Several Problems Needing Attention in the Reform of Urban Enterprises"]

[Text] Our restructuring of the economic system began after the 3d Plenary Session of the 11th Party Central Committee. After Comrade Hu Yaobang's report on the problems of restructuring in January of this year, the national restructuring was given a tremendous boost.

During the past 5 years, village production teams have carried out various forms of the responsibility system linking planned output with remuneration and have moved ahead with the reform of the management system. The result has been outstanding. Its experience has provided and will continue to provide tremendous inspiration for and give impetus to the reform of urban, especially industrial, enterprise management systems. At the same time, one should notice that there are, after all, many differences between city and village and between industrial enterprises and agricultural production teams, something which we should pay attention to in the process of reforming urban and industrial enterprises.

Reform of Urban Enterprises Should Adapt to Special Characteristics of the City

The city, when compared with the village, has many special characteristics.

The most prominent characteristic is the different extent to which production has been socialized. In the city, except for a small amount of small-scale production by manual labor, the basis is modern large-scale production. Urban industrial enterprises are far superior to village production teams in the division of labor in production, in specialization, and in cooperation. Moreover, the city is an economic center, the axis of goods production and circulation, and its economic ties with all sectors are extremely close. Its situation is much more complicated than that of the village.

Next is the great difference in ownership. There is mainly collective ownership in the village. The agricultural production team has always been the real collective economic organization responsible for loss or gain. When

... interests occur in a certain year, the pay will be more that year; whoever works more gets more pay. In the past, because of "eating out of a big communal pot" and the practice of equalitarianism, the initiative of the peasants had been harmed. After the implementation of the responsibility system linking planned output with remuneration, the problem of "eating out of a big communal pot" was solved and the peasants' work initiative was roused.

Although the reform of the agricultural production team's management system also has to handle correctly the economic relationship between the state and the collective, yet, the state's revenue directly derived from agriculture is only a small percentage of agricultural income, the rest of which belongs to the production team. Therefore, the main issue to resolve in the reform of the agricultural production team's management system is the economic relationship between the collective and the individual, and between individuals within the collective economy. Since the agricultural production team is the economic unit responsible for gain or loss, its income depends in essence, on how much each agricultural worker produces, as well as on what is good or bad in the management. If an agricultural worker wants more income, he has to produce more and improve the production team's management.

Although there collective ownership and some individual economy also exist in the city, its main form is the state-owned economy, which is ownership by all the people. More than 90 percent of the state's revenue is derived directly from such enterprises as industry, commerce, communication and transportation, and of these, the most important is state-owned industrial enterprises. Therefore, the reform of the management system of state-owned enterprises must correctly handle the three-way relationship of the state, the collective and the staff and workers. First, we have to make sure that the state's revenue will continue to rise; only then can the state proceed in a planned way with key construction projects and guarantee the other necessary expenditures to adequately satisfy the needs of the whole society and work for the welfare of all the people. If the enterprises and the staff and workers want to increase their respective incomes, they must rely on their own efforts to increase production, to strictly carry out economies and to obtain better results. They should not have designs on the state revenue and must not compete with the state for profit in the determination of base wages. They must draw from the revenue of the state. On the question of long-range and immediate interests. When there is conflict between the overall interests of the state and the partial and local interests of enterprises and individuals, we must insist on the principle that the overall interests serve long-range interests, and that the partial and immediate interests of enterprises and individuals serve the overall interests of the state. The correct handling of the three-way relationship of the state, the collective and individual should not harm national interests, nor should it betray the masses.

How to Handle the Two Relationships

The first is the relationship between the state and the enterprise. The reform of the management system which is practiced at present by the nation's state-owned enterprises is an important reform in the economic relationship of the

state and the enterprises. In the past, state-owned industrial enterprises employed the method of turning over their profits to the state; now this has been changed to paying income tax. The economic lever of taxation is used to hasten the enterprises' improvement in administration and management. In the past, within an enterprise, there was no separation of state [policy] and enterprise [administration]. The implementation of the revised profit-tax system is not only helpful in guaranteeing the steady increase of the state's revenue and promoting the growth in enterprise income following increased production and increased pay, it is also beneficial for the gradual separation of state and enterprise and for handling economic matters according to economic laws.

In the correct handling of the relationship between the state and the enterprise, the state provides the enterprise not only with the necessary vitality, but should also provide the necessary pressure, authority, duty and profit in a good combination. The previous period stressed the revitalization of the enterprises. That is correct and we should continue to do so in the future. But we have not made any strict demands on the enterprises. From now on, whether it be the quality of goods, kinds of product, labor productivity, cost, and investment, we should make strict demands and put pressure on the enterprises. Internally, there is vitality, and externally, there is pressure. Only when the two are correctly combined can enterprise progress be accelerated, and economic results improved. If we allow the enterprises to exist comfortably, we will not only fail to reform administration and management and improve economic results, but will also fail to train outstanding entrepreneurs.

The second is the relationship between the enterprise and the staff and workers. Mainly, this is to implement strictly the system of distribution according to work. From now on, we should step-by-step create the conditions for the cadres to carry out the system of receiving wages commensurate with their duties, and workers the system of receiving wages commensurate with their posts, thus embodying very well the principle of distribution according to work. At the same time, we should gradually change bonuses to rewards for making special contributions. Our country is a socialist country and we have to guarantee the basic conditions of livelihood for the workers; but we cannot "eat out of a big communal pot." We have to do things according to the principle put forth by Marx in "The Critique of the Gotha Program". Those who work more and make great contributions will be paid more; those who work poorly should get less; and those who do not work will have nothing to eat. The insistence on the principle of distribution according to work, the overcoming of equalitarianism and the correct handling of the relationship between the enterprise and the individual is an important motive force which provides the impetus for the people to improve production and work.

Solving the Problem of Horizontal and Vertical Barriers

The reform of urban enterprises requires the solving of the problem of the division of labor between the state and the enterprise as well as the problem of horizontal and vertical relationships. Our country practices a socialist planned economy. At the macro level, the proportion of investment, enlarged reproduction, and the people's and social consumption within the national

... requires the control of state planning. But the superior nature of our planned economy is far from being fully manifested, and one of the important reasons is the creation of horizontal and vertical barriers.

Back in the Second Plenary Session of the Seventh Party Central Committee, it was decided that the focal point of our work would shift after nationwide victory, from the cities to the villages and the leading of the villages by the cities would begin. However, for a long time, this issue has not been resolved very well, and the creation of barriers is one of the important problems. The present reform is to lay the foundation for economic revitalization during the last 10 years of this century. Practice in the last 30 years has told us that it is only through the solving of the problem of vertical and horizontal barriers that the state can concentrate its strength in the construction of big projects and the accomplishment of a number of major tasks. Only after the construction of big capital projects will there be the necessary material conditions for the enterprises to carry out modernized construction and technological transformation, and this will then guarantee the country's prosperity and development. Only through the implementation of reforms can the problem of barriers be solved.

There are many problems, such as tax collection, commodity prices, and the system of labor wages, that have to be solved in the reform of urban enterprises. There is a lot of work to do. But all reforms have to go through the process of investigation, study and experimentation. Before it was adopted, the revised profit tax system had been tested for 3 years in more than 500 enterprises all over the country. Although the reform of urban enterprises is relatively complicated, yet if only we firmly execute the policy of the center to carry out the reform systematically and on a full scale, firmly and in an orderly way, step-by-step and with leadership, we can certainly achieve the expected results.

ECONOMIC MANAGEMENT

PROFIT, ECONOMIC RESULTS NOT SYNONOMOUS

Ningxia NINGXIA RIBAO in Chinese 12 May 83 p 3

[Article by Wang Peifei [3769 0160 7378]: "Profit and Economic Results"]

[Text] Recently, the term "economic results" has been appearing frequently in newspapers and periodicals and there are different understandings of this term. One of these understandings considers economic results to be profit; another considers profit to be only one of the important factors of economic results and does not represent economic results themselves.

It should be stated that the amount of profit reflects an important aspect of an enterprise's economic results. For similar enterprises and the same kinds of products and under similar conditions, the amount of profit also reflects the different levels of administration and management of the enterprises. But at present, because of such complicated factors as the not entirely rational price structure and tax rates, the amount of profit generated by an enterprise cannot totally reflect the enterprises's economic efficiency and results. To use only the amount of profit as the standard for measuring economic results will lead to such drawbacks as failing to organize production according to social requirements and working less when profit is low and more when profit is high. Therefore, in the evaluation of the economic results of an enterprise, the state will use, in addition to profit, such norms as the value of output, the quality of output, the kinds of products, the rate of labor productivity, consumption and costs. Because of the limited nature of the various economic and technological norms of an enterprise, each has to be supplemented by the rest before it can fully reflect the result of the enterprise's management. Their sum total is the enterprise's economic results.

What is called economic results is an appraisal of economic activities. It is the comparative relationship between the use of labor, the consumption of labor and material and the production of goods that are compatible with social requirements in the process of production and reproduction. To improve economic results, there should be a minimum consumption of labor and material to produce more products that are compatible with social requirements. Economic results must be embodied in the three-unified policy: first, the unity of increased production and economies. While the consumption of labor should

maximized as much as possible, the quality of the products should also be taken into account. If increased production were to require overconsumption, and if economization were to lead to a great reduction in production, it could not be considered to be economically beneficial. Second, the unity of production and marketing. If we were to pay attention only to production and disregard the question of marketing, thus leading to the overstocking of goods, there could not be any economic results to speak of. Third, the unity of the value of commodities and use value. Only when the norms of the value of output and profit are fulfilled, and only when the quality of goods is improved and the varieties of design and colors are increased so that the goods are attractive and inexpensive, can there be a perception of having gained relatively good economic results.

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ECONOMIC MANAGEMENT

SUPERIORITY OF CONTRACT SYSTEM IN COMMUNE-BRIGADE ENTERPRISES STRESSED

Fuzhou FUJIAN RIBAO in Chinese 7 May 83 p 1

[Article by Xiao Bai [2556 4101]: "Contract System Implemented in 80 Percent of Fujian Commune-Run Enterprises"]

[Text] Commune and brigade enterprises in our province are enthusiastically carrying into effect a reform in management and control. As of today, different forms of contract systems of responsibility have been implemented in 36,400 factories and mills in the whole province, embracing 81 percent of the total number of enterprises in communes and brigades.

The contract systems of responsibility being carried out in enterprises of the various localities fall basically into four different forms--contract system by factory managers, contract system by the collective, contract system by joint venture, contract system by individuals. Profits are calculated mainly in five different ways--division of above-norm profits in accordance with a basic figure of fixed profits; division of profits in accordance with percentage of net profits; full rewards for overfulfilment of production, full redemption for underfulfilment of production, with a fixed payment of profits to the state; division of profits in accordance with percentage of income from sales; payment of management fees to the state.

The enterprises implementing the contract system of responsibility have achieved marked results that find manifestation principally in: expansion of the right of enterprises to act independently, rectification of the evil practices of excessive centralization and stifling control; effective dismantling of equalitarianism in distribution, full motivation of the enthusiasm of enterprise producers; putting in right positions a large number of "people of understanding" who know their jobs, are good at management, and know how to run business, thus enabling cadres in enterprise management to march step by step on the road to the "four modernization;" promotion of growth in production, elevation of economic results, and achieving an increase in income for the state, the collective, and the individual. Example: The 285 enterprises in Buwen Commune, Longhai County, earned a total income of 31.80 million yuan in two years after implementation of the contract system, an increase of 47.90 percent over their total income in three years before implementation of the contract system. Profits acquired

in two years after implementation of the contract system amounted to 4.23 million yuan, up 57 percent over their total profits in three years before implementation of the contract system. Labor productivity of all people was 57 percent higher than in the days preceding implementation. The profits turned in to the commune and the taxes paid to the state by the Resin Factory of Yan Qian Commune in Sanming County increased by 100 percent, as compared with profits turned in and taxes paid before implementation of the contract system.

It was not long ago that the Provincial Bureau of Commune and Brigade Enterprises held a meeting in Sanming City for exchange of experiences on the contract system of responsibility being implemented by commune and brigade enterprises throughout the province. The meeting summed up some representative experiences of all cities and localities, studied the various questions requiring a timely solution, and set forth views on a further implementation and perfection of the contract system of responsibility.

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ECONOMIC MANAGEMENT

READJUSTMENT, RESTRUCTURING, REORGANIZATION IN JILIN

Beijing JINGJI RIBAO in Chinese 20 Apr 83 p 1

[Article by Wu Jiarong [0702 4471 2837]: "Coordinate Reorganization Closely with Readjustment and Restructuring in Jilin Province To Promote Industrial Production and Improve Economic Results"]

[Text] As revealed to our correspondent by the leading group in charge of the national reorganization of enterprises, Jilin Province has succeeded in promoting industrial development and improving economic results through close coordination of the all-round enterprise reorganization with readjustment and restructuring. In 1982, compared with the preceeding year, the total industrial output value of the province increased 7.5 percent and the profits handed over to the state increased 29.9 percent. The production costs of comparable products were reduced, the turnover of circulating funds was faster, losses were reduced, and receipts and payments in the province's finance were balanced, or showed a small credit balance. Last year, the first group of enterprises selected for reorganization showed better economic results than the others did.

In the course of enterprise reorganization, Jilin Province has paid particular attention to the reorganization of the enterprises' leading bodies and boldly promoted some "knowledgeable persons" who were competent in technology and management and were professionally dedicated. By this means, the problem of heaving weak, slack, senile and overstaffed leading bodies was solved. While reorganizing the leading bodies, the province also conscientiously followed the principle of "collective leadership by the party committee, executive power in the hands of factory directors, and democratic management by the workers and staff members." The functions of the party and the government were distinctly separated, and the internal organization and system of leadership were initially strengthened.

In accordance with the requirements of constructive reorganization, Jilin Province has adopted the following measures in the course of all-round reorganization: First, reorganization had to be completed within limited periods for those enterprises which were poor in management, high in consumption, having serious losses and waste, and producing only a single line of products which were inferior in quality and high in

... and did not sell well. As well as being unable to catch up with the production of new products. Second, reorganization with restricted production was carried out for those enterprises which were producing more than they could sell, producing only for stockpiling and producing beyond their technological capability, as well as for those whose products were poor in quality, high in energy consumption and not urgently needed in the society. Third, reorganization with suspension of production was carried out for those enterprises which were not rationally designed, not up to the required economic and technical standards unable to keep up regular production because of the serious disrepair of their equipment, and which were incurring serious losses and producing goods of inferior quality. Fourth, those enterprises which had incurred losses over long periods and were in no condition to change over to other lines of production, and whose prospect of transformation was not promising, were resolutely closed. These measures were adopted separately among the 169 enterprises in the province. Among these enterprises, 49 were either closed or suspended and 91 others succeeded in reducing their losses by a total of more than 24.5 million yuan.

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FINANCE AND BANKING

PLANNED, PROPORTIONATE DEVELOPMENT OF NATIONAL ECONOMY URGED

Beijing JINGJI RIBAO in Chinese 17 May 83 p 3

[Article by Zhou Shulian [6650 0647 5571]: "Magnitude of Capital Construction Should Be Placed Under a Variety of Control"]

[Text] The magnitude of capital construction in our country started to inflate again last year, and it will bring about a serious negative consequence if not checked in time. We must study Comrade Chen Yun's articles in earnest and impose a rigid control upon the magnitude of construction, so that it will remain at a level compatible with the financial and material resources of the state.

The magnitude of capital construction is a complex question. Under the capitalist system it is fundamentally impossible to administer this question properly, because of the law of surplus value and the functions of the anarchic state of production. Under the socialist system it is objectively possible to handle this question appropriately. We have always failed however to handle this question well. Constantly there has appeared a tendency of inflating excessively the magnitude of capital construction. There are many factors contributing to the excessive inflation of the magnitude of capital construction. We must therefore start our work from many different directions and establish a socioeconomic organic system capable of ensuring an appropriate magnitude of capital construction. This demands that we proceed not merely from the economic realm, but also from the social domain, by creating conditions from the various aspects of economic management system, national economic plan, economic levers, administrative intervention, economic legislature and economic judicature, economic information network, ideological and political work, so that each department and each locality and each enterprise will be armed with a powerful motivating force for and placed under an essential pressure of consciously focusing their attention on both the microeconomic and the macroeconomic results of capital construction, thereby ensuring the realization of a rationalization of the magnitude of capital construction and a supreme enhancement of the investment results. In the prevailing circumstances we must direct our efforts mainly along the following lines.

First is reform of the economic management system. A reform of the economic management system makes it possible for enterprises and localities and departments to tie their economic results closely to the success or failure

in capital construction, to overcome the evil practices of egalitarianism and "eating out of a common pot," to establish and perfect an economic responsibility system of production and construction. In the current reform we have placed a much greater attention on assisting enterprises and localities and departments in tying their economic interests closely to success or failure of their production. It remains necessary now to make enterprises, localities and departments tie their economic interests closely to success or failure of capital construction. Facts have shown that as long as the question of tying success or failure of capital construction to the economic interests of enterprises and localities and departments remains unsolved, it is difficult to solve thoroughly the question of establishing a close relationship between local economic interests and their success or failure in production, thus rendering impossible the formulation of a rational economic management system.

Second is intensification and improvement of planned management. The reform of the economic management system of our country has to be carried out gradually, systematically, and according to plan. Because of the complexity of the question and the inadequacy of experiences, a completion of the reform is estimated to take a considerable length of time. Prior to the establishment of a relatively sound system of economic management, it is of paramount importance to intensify and improve our work of planned management, so that capital construction will be kept constantly within a reasonable bound. Facts have proved that so long as energetic efforts are made to improve planned management, it is entirely possible for us to administer relatively well the question of the magnitude of capital construction at the present time.

Third is planning to make good use of the various economic levers. It is essential to formulate for all trades and professions and for all products a reasonable system of prices, taxes, credits and loans, interest rates, subsidies and profits, financial subsidies, which are beneficial to a correct administration of the magnitude of capital construction and the formulation of management. We are carrying into effect in state-operated enterprises a long-planned and systematic tax reform which will benefit a correct management of capital construction of enterprises, localities, and departments. In order to make good use of economic levers, it remains necessary to build up a perfect economic information network for timely collection of data with all-round and accurate economic information. It must be pointed out that we have paid a specific attention to bringing into full play the role of economic levers, but we cannot ignore the importance of administrative intervention. In present circumstances of our selective and directive conditions keeping economic levers from playing their functions into full play, it is all the more essential to learn well the practices of scientifically applying the various necessary administrative measures for control of the magnitude of capital construction and for ensuring a planned and proportionate development of the national economy.

Fourth is strengthening of economic legislature and economic judicature. Ever since the founding of the nation, we have formulated a huge volume of capital construction laws. Nevertheless, there still exists today a grave situation of no laws to follow, nobody following laws, and laws not rigidly followed. On the basis of earnestly summing up capital construction experiences gained since the founding of the nation, we must absorb the experiences of other countries and map out a complete set of capital construction procedural law, capital construction designing law, capital construction investment law, capital construction contract law, and other related laws, which are compatible with the national characteristics of our country, in the course of our strivings for perfection of the judiciary system, for strengthening of judiciary work, and for ensuring a healthy development of capital construction work.

Fifth is beefing up ideological and political work. A relevant factor of the blind implementation of capital construction is one-sidedness of ideological cognizance. Some people have always considered questions by proceeding from partial needs, taking into account only the interests of their own enterprises, their own localities, their own departments, yet ignoring the interests of the entire society. It is therefore necessary to attain a further perfection of the system of ideological-political work and an intensification of ideological-educational work, thus enabling the broad masses of the cadres to understand the importance and criteria of handling correctly the question of capital construction, to realize that one must not consider questions merely by proceeding from partial needs and partial interests, but must consider questions by proceeding first and foremost from over-all needs and interests, by upgrading ideological vigilance on a continuing basis.

Finally, it remains necessary to push forward energetically the research work of capital construction. At the present time we still have a very inadequate cognizance of the factors affecting the magnitude of capital construction under the socialist system. There are still many questions waiting for us to explore and seek out. Through investigation and study, we must gradually grasp the laws of socialist capital construction, learn to apply and use the laws, hammer out a social economic system and work out a correct conception, and ensure a rationalization of the magnitude of capital construction.

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FINANCE AND BANKING

PROBLEMS WITH FUNDS FOR RURAL ECONOMIC DEVELOPMENT NOTED

Beijing JINGJI RIBAO in Chinese 9 May 83 p 2

/Commentary by Wang Lan /3769 5695/: "Raise Rural Funds, Promote Rural Construction"/

/Text/ For the past two years, with the growth of the rural economy, there have been new changes in the rural funds situation, going from shortage of funds and slow accumulation to flexibility of funds and increasing accumulation. These changes are evident in the following four characteristics:

First is that rural funds have become greater. In terms of currency alone, at the end of 1982, deposits of rural commune and brigade collectives in banks and credit cooperatives were 18.7 billion yuan, an increase of 57 percent over 1978; peasant savings deposits were 28.2 billion yuan, an increase of 2.9 percent over 1968; cash in the hands of peasants was over 27 billion yuan, better than 2.1 times that of 1978. These three amounts total 74 billion yuan, a 2.3-times increase over 1978, or an average annual increase of 23.8 percent. In addition to this, commune and brigade enterprises also have over 10 billion yuan in circulating funds.

Second is that rural funds are decentralized. After the responsibility system linking production to contracts was generally implemented in the rural areas, there were changes in production, allocation, exchange, and consumption. In the past, rural funds were concentrated in over 6 million commune and brigade collective units but now they are largely scattered in the hands of 170 million rural households. This can also be seen from the change in the proportion occupied by commune and brigade collective deposits: the proportion of rural deposits made up by peasant savings deposits has increased from 37.6 percent in 1978 to 60 percent in 1982, and the proportion of commune and brigade collective deposits has declined from 63.4 percent to 40 percent.

Third is that distribution of rural funds is unbalanced. The peasants are taking the path of becoming wealthy through labor and common prosperity; some have become well-off sooner, and some later, some incomes have increased faster and some have increased slower. Thus the distribution of funds between regions, between units and between rural households is

unbalanced. Not only is the disparity between well-to-do regions and poor regions great, but within the same region, the quantity of funds is also unbalanced between units (brigades, teams, and firms) and between rural households. Cash and deposits of specialized households and key households in particular is greater. According to some sample surveys, ready cash among peasants is greater and at the same time deposits are also greater, and the quantity of cash and the quantity of deposits is generally pretty close. This shows that the territory of fund regulation is broad and that the role of credit can be developed.

Fourth is that the demand for expanded reproduction has increased. The demand for funds for comprehensive development of agriculture, forestry, animal husbandry, sideline production, and fisheries and for joint agricultural, industrial, and commercial ventures has increased. The demand for circulating funds has increased greatly for specialized businesses in particular between expenditures and income, frequently demand credit operates as a temporary funds adjustor. Use of commodity production funds generally goes through the three stages of purchase, production, and sales, taking the form of currency funds, production funds, and commodity funds depending on the stage. Thus, the participation and support of demand credit to guarantee the smooth course of expanded reproduction and funds circulation.

In the past we put forward the policy of "commune and brigade self-reliance as primary, state aid as secondary" in the problem of agricultural funds. However, in actuality the help of state finances and credit towards agricultural funds was not inconsiderable. In the 22 years between 1957 and 1978, state finance investment in agriculture made up 10.7 percent of financial expenditures during that period, bank and credit cooperative loans increase 17.5 billion yuan, exceeding the 13 percent increase in rural deposits during the same period. From now on, with a change for the better in state finances, the state can gradually increase investment in agriculture. However, this portion of funds can only be used for major construction, and investment needed for other small scale farm field water conservancy construction and service facilities will rely mainly on funds and labor accumulation of agriculture itself.

In view of the situation of recent years, relying mainly on raising rural funds for the funds required for rural agricultural development is a possibility. From 1978 to 1982, deposits of rural financial sections nationwide increase over 35 billion yuan, and average increase of 8 or 9 billion a year, rural industrial and commercial loans increased 31 billion yuan, an average increase of 7.8 billion yuan a year, thus the increase in deposits was greater than the increase in loans. That is to say, banks and credit cooperatives relying on organizing rural deposits resolved the need for agricultural, industrial and commercial funds. In view of the tendencies in comprehensive development of the rural economy from now on, on the one hand, the scale of production will continue to expand and the demand for funds increase; on the other hand, the peasant income will continue to increase, and accumulation of funds will also be greater. Rural deposits and loans will steadily grow. Thus, in the matter of rural

funds, this is even more favorable for implementing the policy of "commune and brigade self-reliance as primary, and state aid as secondary."

Raising rural funds also demands that credit leverage be fully utilized. Only through credit and centralizing the idle funds decentralized in the hands of firms, communes and brigades, contracting organizations (businesses) and in the hands of peasants can they become an enormous quantity of production funds. Moreover, funds should be adjusted and allocated in a planned way to promote the comprehensive development of the rural economy.

In addition to this, individual peasants should be encouraged to pool resources to operate basic rural facilities of granaries, highways, and small hydroelectric plants, and in accordance with the principle of benefits go to the builder, implement a compensates use system so that there will be adequate turnaround and return on funds. At the same time, pay attention to guiding the peasants to correctly arrange production and their livelihood, engage in rational consumption, and on the foundation of guaranteeing the basic needs of life and annual improvements, use even more funds to improve production conditions and expanded reproduction.

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FINANCE AND BANKING

BALANCED BUDGET, ECONOMIC RESULTS STRESSED

Beijing JINGJI RIBAO in Chinese 16 May 83 p 2

/Staff commentary on economic performance: "Stress Economic Results; Maintain a Balance of Revenue and Expenditure"/

/Text/ In the first quarter of this year industrial production continued to increase; energy and major transportation construction was strengthened, communications and transportation were extended, and merchandise retailing increased. The general trend was favorable. Statistically speaking, in the first quarter total industrial output completed 24 percent of the year's plan, an increase of 6.9 percent over the same period last year (of which there was a 2.5 percent increase in light industry and 11.7 percent increase in heavy industry); the total volume of energy completed 24.3 percent of the year's plan, an increase of 4.8 percent over the same period last year. The volume of railway freight transport completed 25.2 percent of the year's plan and passenger transport volume completed 28.1 percent of the year's plan, increases of 5.6 percent and 7.4 percent respectively over the same period last year. Cargo ships affiliated with the Ministry of Transportation shipped 24 percent of the volume of the year's plan, an increase of 2.8 percent over the same period last year. Volume for passenger airlines increased 7 percent over the same period last year. Retail sales of social commodities reached 68.99 billion yuan, an increase of 10.9 percent over the same period last year.

Owing to an increase in production, first-quarter revenues equally increased over the same period last year. Revenue for the whole country completed 19.9 percent of the annual budget, an increase of 0.9 percent over the same period last year. Expenditures completed 16.8 percent of the annual budget, an increase of 4.4 percent over the same period last year. After revenues and expenditures are tallied up, there will be a certain amount of surplus.

However, expenditure increases are more rapid than revenue increases, especially because economic results in industry are not good enough, thus affecting the increase in revenues. First-quarter enterprise revenue for the whole nation completed 18.1 percent of the annual budget, a decrease of 19.3 percent over the same period last year. Industrial and commercial profits have decreased compared to the same period last year. Deficits in

staple foods and foreign trade have increased. Industrial revenue, which accounts for a fairly sizeable proportion of the national budget's revenue, only completed 19.7 percent of the annual budget's revenue, a decrease of 9.5 percent over the same period last year. Commercial revenue decreased 23.7 percent from the same period last year. Total output of state industries and enterprises within the budget increased 4.8 percent. Sales revenue increased 3.2 percent, but realized profits fell 5.8 percent. The cost of comparable-prices enterprise commodities rose 2.6 percent. It is obvious that the fact that economic results are not ideal enough is an important factor in explaining why an increase in production is not producing increased revenues. The main factor in government expenditures increasing faster than government revenues was due to the fact that measures to increase revenues instituted at the beginning of the new year had not yet been completely carried out. The scope of capital construction investment continued to increase and increases in agricultural, educational, cultural, scientific, health-related and administrative expenditures were relatively large.

Looked at from the circumstances of the first quarter, completing the revenue budgeted for the entire year while instituting a basic balance of revenue and expenditures will still be a very difficult task. From now on we must seriously stress the following steps:

1. Building on the foundation of promoting production, bringing out potential abilities, and striving to upgrade economic results, we must integrate the work of substituting tax payment for profit delivery, actively systematize government revenues. Every organizational level in the Ministry of Finance must strive to assist enterprises to strengthen their management supervision and upgrade economic results. The key is to realistically and practically assist enterprises to lower consumption and cost and turn deficits around. At the same time, we must correctly handle the relationship between the state, the enterprise, and the individual. On the foundation of increasing production and revenues, we should do our best to see that the state profits the most, enterprises profit second best and individuals obtain the smallest profit in order to alter the present situation in which production increases but government revenues do not correspondingly increase.

2. Strictly limit government expenditures. In spending money we must certainly pay attention to economic results. The priority at the present must be to decide to limit the scope of capital construction. The finance department must be in tune with the planning and material departments and strictly abide by capital construction plans, handle any disruptions well, prevent any items of duplications in construction or poorly thought out projects from being added on at will. Whether it be the central Finance Ministry or local finance departments, expenditure plans must all strictly hold to the principle of acting according to one's capability. We must pay close attention to limit those situations in which current financial ability for a time still makes it difficult to complete projects. We must prevent exceeding the expenditure quotas which the state decided on this year.

3. Strengthen supervision management and strict financial discipline. We must link restructuring enterprises with restructuring party workstyle, decisively prevent indiscriminate cornering of capital, indiscriminate expansion of costs and the interception, retention and diversion of state revenues from occurring, and correct illegal actions which violate financial discipline, in order to guarantee that state capital and property are not subject to loss.

At the same time, we must still continue to stress restructuring of the financial tax system with emphasis on properly handling implementation of work to substitute tax payment for profit delivery.

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FINANCE AND BANKING

SHANDONG'S FINANCES REPORTEDLY IMPROVED LAST YEAR

Jinan DAZHONG RIBAO in Chinese 20 Apr 83 p 1

/Staff report: "Deputy Director Guo Zhangcai /6753 7022 2088/ Reported On Last Year's Final Financial Accounts And This Year's Draft Budget: Last Year Our Province's Financial Situation Made An Obvious Improvement"/

/Text/ Yesterday Guo Zhengcai, Deputy Director of the Finance Department of Shandong Province, gave a report on Shandong's 1982 final accounts and the 1983 draft budget to the First Session of the Sixth Provincial People's Congress.

In speaking of the 1982 financial accounts, Guo Zhangcai said that under the leadership of every level of party committee and government, in 1982 every region and department in our province has seriously and thoroughly carried out the party's general and specific policies since the 3rd Plenum of the 11th Party Congress, and carried out a series of tasks which have been very effective. Progress in readjusting and restructuring the national economy has proceeded relatively swiftly. Industrial production and all construction projects have experienced new developments. Great progress has also been recorded in socialist spiritual and cultural construction and in attacking serious criminal activity in the economic sphere. On this foundation, the result of executing our province's financial budget is good. Government revenues continue to increase and have overfulfilled the quota stipulated in the budget. Financial expenditures have begun to rise, which alters the situation of recent years in which expenditures successively fell. Provincewide unified accounts have achieved a current balance of revenues and expenditures.

Guo Zhangcai said that in 1982 provincewide final accounts showed total revenue of 4,929,000,000 yuan, which fulfilled 103.54 percent of the budget. After deducting revenues from the power industry, which is included on the central plan, and other factors, revenues actually increased 7.5 percent over the previous year. Last year our province's total expenditures in the final accounts were 2,945,000,000 yuan, which fulfilled 92.41 percent of the budget, an increase over the previous year of 15.33 percent. According to the currently instituted financial structure, in 1982 our provinces' revenues and expenditures in regional finances were in balance. In provincewide accounts, when the current

34-million-yuan surplus and profits in recent years from regional foreign trade enterprises are included in the budget, deficits accumulated over the years have been reduced from 215 million to 138 million yuan.

In 1982, our province's financial situation progressed and took a turn for the better, a general reflection of the steady development of the national economy during readjustment, and is the result of the mutual effort of every region, every department and all the citizens of the province. However, we should perceive that financial difficulties for our province are still great. Problems awaiting solution are still many. We must certainly not become slack in our thought and treat this situation lightly. Last year, although provincewide a balance of revenues and expenditures was realized, there were still some counties which incurred deficits. There were also a few problems left from trying to organize county-run industries which were not resolved. The financial burden is still great. Last year, although government expenditures were on the rise again, there were still many expenditures items which, after many successive years of being out, are far from fulfilling actual needs. At present, the problem of the overdispersal of capital is also relatively prominent, as capital belonging to departments, enterprises and units has increased quite substantially. However, this capital has not been well directed for use in major construction projects for the state. From now on, we must continue to work hard and be constantly vigilant to carry out our tasks well and strive to realize as soon as possible the fundamental improvement of our financial and economic situation.

In speaking of the 1983 financial budget, Guo Zhangcai said that this year the central authorities assigned financial obligations of 5,349,000,000 yuan to our province, an increase of 420 million yuan or 8.52 percent over the previous year. In order to leave a little room for maneuvering and place this year's budgeted expenditures on a comparatively more secure ground, we have calculated capital arranged for local use according to total income of 5.25 billion yuan (an increase of 6.5 percent over that of the previous year). Budgeted expenditures for the province overall are 2.74 billion yuan, an increase of 6.81 percent or 175 million yuan over actual locally drawn expenditures of the previous year. Budgeted financial revenues for our province have been planned comparatively tightly and much effort must be expended before this revenue can be realized. Expenditures still must continue to be limited. The task of balancing revenues, and expenditures is quite an arduous one. We must strenuously implement every item of the financial and economic policy of the party and the nation, work hard, open up broad avenues of revenue sources, increase revenue and reduce expenditures in order to guarantee the realization of this year's budget.

Guo Zhangcai said that according to the requirement that our province quadruple gross annual industrial and agricultural output value by the end of the century, we have assumed that the objective of the financial struggle over the next 10 years will be to eliminate deficits accumulated over the years with 3 years' time, resolve lingering financial problems within 5 years' time, and in the following years vigorously promote economic accumulation capability while at the same time gradually increasing investment in major construction projects from this year on, continuing

to improve the people's living standards, and maintaining a balance of revenues and expenditures in finances. To achieve this, we must be inspired with enthusiasm, be courageous to blaze new trails and, on the foundation of developing production and upgrading economic results, ensure that a new breakthrough be achieved in revenues; and open up new avenues of revenue creation, accumulation and use to ensure that new improvement takes place in the usage of financial resources. We must properly handle reorganizing in public finance, financial affairs and the tax structure to ensure that standards in financial management experience a great upgrading. We must work hard to create a new phase in financial work.

1) We must resolutely and in an orderly way properly handle financial and economic restructuring, mobilize the enthusiasm of the masses, and promote production and increase revenue. 2) Restructure financial affairs of enterprises, support enterprises to properly handle technical transformation and upgrade economic results. 3) Select diversified methods to build up capital and assist major construction projects. 4) Strengthen financial supervision and enforce strict financial and economic discipline. Every level of financial department and the vast ranks of financial tax and revenue cadres must work hard to properly handle construction of the two /spiritual and material/ civilizations, be conscientious in studying practice, courageous in reforming and blazing new trails, adept in building up and ordering financial resources, serve as a loyal and honest public servant of the people, honest and diligent in performing as a government worker who serves the people wholeheartedly and who strives to do all aspects of his work even better.

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FINANCE AND BANKING

SUBSTITUTING TAX PAYMENTS FOR PROFIT DELIVERY LAUDED

Fuzhou FUJIAN RIBAO in Chinese 29 Apr 83 p 3

/Article by Wu Zhang /0702 4545/ and Chen Xiaoping /7115 1420 1627/:
"Substitution of Tax Payment for Profit Delivery is a Direction for
Reform of the Economic Management System"/

/Text/ The substitution of tax payments for profit delivery which is about to be comprehensively implemented, is an important reform in the financial and tax system, and a good form for dealing with the relationship between the state and the enterprise. It is the direction of reform of the economic management system.

In the past few years, the methods of profit retention and being responsible for profit and loss which have been tested in our state run enterprises, in a preliminary way have adjusted the allocation relationship of the state and enterprise, expanded enterprise autonomy, and mobilized the initiative of the enterprise. However, because some specific measures and methods are not perfect, the allocation relationship of the state and enterprise is frequently not handled adequately well: the enterprise retains more profit and the proportion delivered to the state has declined year by year and had an impact on revenues. The harmful problems encountered by the state in test implementation of the profit contracting method are how to set the base number and the proportion. Due to objective factors it is now difficult to set the base and proportion rationally, and quarrels with the enterprise over base and contention over proportion occur constantly. Implementing substitution of tax payments for profit delivery is a continuation and development of the reform of the allocation relationship of the state and enterprise in recent years. Implementing the substitution of tax payments for profit delivery can avoid the appearance of the above-mentioned problems. The tax rate of enterprises which deliver profits to the state in the form of taxes is more strict and stable than the proportion of profit retained and the base of profit to be delivered to the state and this guarantees the revenue of the state and can overcome the defect of the enterprise only being responsible for the profit and not the loss. Furthermore, after the tax laws clearly stipulate the limits of responsibility, the enterprise and employees can work hard with easy minds, for with the growth of production and improvement of management and administration, the economic benefits will increase, and the financial

resources which the enterprise can allocate will steadily increase, the employees' material benefits will also increase, and this is good for fully mobilizing the initiative of the enterprise and employees to develop production and strengthen management and administration.

Implementing the substitution of tax payments for profit delivery also will deal with the relationship between the interests of the state, enterprise, and employee better, for the state will get the "first cut" the enterprise will get the "medium cut" and the individual will get the "small cut". For the state to get the "first cut" means that of the new increases in income each year in state run enterprises, the state should get the major share. This is a precondition. In this way, the state can collect financial capacity, and carry out key construction. Thus, in financial allocation, tax substitution for profit delivery work must first of all implement the principle of "don't push and don't yield," prevent the scattering of new financial capacity and guarantee that revenue will not decrease; at the same time it protects the rational profit retention which the enterprise deserved and makes appropriate adjustments in the profit retention levels of a few firms which were too high or irrational.

Through substitution of tax payments for profit delivery, the enterprises should be spurred on and also put under pressure. Through substitution of tax payments for profit delivery, while guaranteeing that the state will receive more, the enterprise can also earn greater profits in increasing production while saving on expenses, improving economic results, and uncovering potential internally so that they feel they have great incentive and prospects. The state uses the regulatory role and leverage of the tax revenues in accordance with the demands of macro-economic benefits adopting measures of levying new taxes, adjusting tax rates, and implementing increasing or decreasing taxation to provide material encouragement to advanced firms which are managed well, to spur on and even punish as necessary backward firms which are not run well. Through the taxes gained through lawful levies, supervision of enterprise production process, cost accounting, and financial activity, and systematization and regularization of examination of enterprise accounting can thus correct the waste of resources, lax management, and financial confusion which has existed in some state run enterprises for a long time, and stop up "escapes, emissions, drips, and leaks" in various aspects and urge enterprises to improve management and administration and improve economic results.

At present, due to the fact that pricing system adjustment cannot be put into effect in a short period of time and the objective facts of technological equipment and industrial distribution, the level of profits between enterprises varies greatly, and they do not share joys and sorrows equally, thus implementing substitution of tax payments for profit delivery will require taking two paths and distinguishing different situations and proceeding in a measured way.

The first step in substitution of tax payments for profit delivery is to collect profits and taxes together from large and medium sized state run

enterprises. For large volume small scale enterprises, levy state taxes (according to the 8-level progressive tax rate) and of the aftertax profit or loss for which the enterprise is responsible, for enterprises which have more aftertax profits, a portion will be delivered to the state according to a fixed index.

After completing the first stage of reform of the tax substitution for profit delivery, and on the foundation of a basic trend toward the reasonable through adjustment of the pricing system, then the second stage of reform will be carried out, the transition to the profits which the enterprise turns over to the state being entirely turned over in the form of taxes. In this way, the preparations are made for transition to a graded financial system of dividing revenue by type of tax, and create the conditions for realizing a rational division of labor between government and enterprise so that enterprises can gradually become truly autonomous and relatively independent economic entities, and the state can better utilize economic methods to manage the economy.

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CSO: 4006/537

FINANCE AND BANKING

BANK OF CHINA REPORTS ASSETS AND LIABILITIES

Beijing JINGJI RIBAO in Chinese 25 Apr 83 p 1

/Article by Special Correspondent Mou Wenzao /0186 2429 5679/: "Actively Expand Sources of Funds, Strive to Organize Utilization of Funds, Constantly Improve Administration and Management, Pay Attention to Improving Economic Results; Bank of China Net Value of Assets Last Year Nearly 100 Billion"

/Text/ According to materials in the annual report for 1982 recently made public by the Bank of China, the Bank of China's assets last year were nearly 100 billion yuan, which converts to over 48 billion U.S. dollars. This is the result of the Bank of China implementing the policy of economic readjustment, actively expanding sources of funds, striving to organize utilization of funds, constantly improving administration and management, and paying attention to improving economic results.

Each year the Bank of China publishes a report which makes public the results of the previous year's management. The table of assets and liabilities published in this year's report shows that in 1982 the Bank of China's total assets were 119 billion yuan, and net profit was 1.6 billion yuan, increases of 29.2 percent and 50.1 percent respectively over the previous year.

If the combined total of outstanding collection funds, receivable secured loans, and trust assets, a total of 25.2 billion yuan, is excluded from the total assets of the Bank of China for 1982, the net value of assets is 93.8 billion yuan or over \$48 billion, an increase of 25 percent over the previous year's net value of assets of \$38.6 billion.

In the net increase of 26.9 billion yuan in total assets of the Bank of China compared to the previous year, loans issued and overdrafts increased 15 billion yuan showing that the bank has used more credit funds to support development of state economic construction, foreign economic trade, and special economic zone work, and further played a role in regulating the economy and promoting technological transformation. Loan in banks abroad increased 10.3 billion yuan reflecting the clear strength of Bank of China deposits in other banks and also shows that the bank's reserve funds are very ample, and that conditions have been created for future expansion of the use of foreign exchange funds.

An article by Bu Ming /0592 2492/, Chairman of the Board of the Bank of China, published in the annual report said that implementing the policy of being more open to foreign countries, and according with the principle of mutual benefit, expanding economic and technological exchange with foreign countries is an unswerving strategic policy of our country. The trend for China to utilize foreign exchange funds has given people in international trade the confidence to export to China and has supplied excellent opportunities for our international financial friends to carry out financial cooperation with the Bank of China. We wholeheartedly hope that in the days to come we will continue to further strengthen friendship and cooperation with international financial circles.

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FINANCE AND BANKING

SHANXI BANKS URGED TO IMPROVE ECONOMIC RESULTS

Taiyuan SHANXI RIBAO in Chinese 23 Apr 83 p 2

/Article by Zhang I /1728 3015/, Manager of the Shanxi Branch of the People's Bank: "Banking Work Should Serve to Improve Socio-Economic Results"

/Text/ Banking work's main channel for serving socio-economic results is in granting circulating fund loans in the area of production and circulation and in granting medium and short term equipment loans in the realm of fixed assets. How to use these loans rationally to urge firms to increase production, accelerate turnaround of funds, lower use of funds, and increase profits is an important indicator for measuring the social results of banking work.

This is the first year for comprehensively creating a new situation for socialist modernization, a crucial year for striving for comprehensive realization of the Sixth Five-year Plan, and a year for carrying out reform. Thus, in the spirit of "implement the spirit of the 12th Party Congress, maintain currency stability, actively raise funds, improve results of funds, invigorate financial work, promote economic development and technological advancement to make great contributions to realizing the fundamental change for the better in the financial and economic circumstances and lay a good foundation for an economic upsurge," the People's Bank should strive to do the following tasks and improve the socio-economic results of credit funds.

1. The direction and quantity of circulating funds loans should be towards ensuring results, ensuring key points, and ensuring speed. Our province is a national base for energy and heavy and chemical industry. In granting circulating fund loans, the bank should implement the principle of "differential treatment and fostering the best" and "determining loans on the basis of sales" to make support of the development of energy, communications, and the chemical industry a key point for issuing loans; for textiles and light industry, on the basis of market need, priority should be given to loan support for all goods which are in demand, are famous brandnames, and are scarce, as long as quality and variety is guaranteed; for goods which are in balance in terms of production and sales, firms should be supported to improve quality and maintain stable production; for goods for which there are great stocks, few loans or no

loans should be granted in accordance with the plans to limit production; the bank should not increase loans to those which are second rate in quality, high in price, crudely made, and overproduced. With regard to heavy industry, they should support continuing adjustment of the product composition, change the service direction, and promote service to energy, light industry, energy saving, and export goods. Loan support should be provided to products which the state has arranged for in the Seventh Five-year Plan. Commercial loans should carry out the principle of "issue loans on the basis of sales" to help commercial firms to solve the problems of purchasing supplies and purchase goods which are suited to the market, are attractive and have reasonable prices and to help commercial departments check up on funds in use. But the bank should close off loans for goods in ample supply for reckless distribution, redundant construction, and where the production plans have not been approved by the state or purchase exceeds the limitations imposed by planning, and the production and purchase of goods for which there is no market, have high energy usage, are low in quality, and high in cost and should urge their transformation.

2. In issuing medium and short term equipment loans the bank should implement the principle of "low investment, quick results, big benefits" with the goal of improving economic results. Emphasis should be placed on supporting enterprise adoption of new techniques, new equipment, new technology, and new materials to improve the technological level of production, improve the characteristics and quality of the products, increase varieties, accelerate the replacement of products, improving the adaptability of goods in the domestic and foreign market, and should support products in short supply in the firm, increase production of consumer goods and materials used in production which are urgently needed in the market; support enterprises in lowering consumption of energy and raw materials, — saving on energy, improving comprehensive utilization; support medium and small enterprises to bring in advanced technology and advanced equipment and to produce new products which will catch up and surpass international levels. Loans should guarantee continuing projects which have been repeatedly reviewed within the plan and which must be guaranteed and technological transformation projects which have been approved by the state; the repayment period may be extended for projects for which the comprehensive economic benefits to society are high but the ability for repayment is lacking. Preferential treatment in interest rate may also be granted to technological projects lacking the ability to repay the loan and project for the development of new technology.

3. Integrate reform of the economic system and further reform of the credit management system. Reform is also to improve economic benefits. Comrade Hu Yaobang said clearly, "Reform should run through the entire process of socialist modernization and this should become an extremely important guiding idea for our party's leadership of the four modernizations." He also said, "If setting things to rights determines the preconditions for socialist modernization, then reform, that is, smashing the old and creating the new, of necessity provides reliable guarantees of the victory of the four modernizations." All reforms in the economic area will advance step by step, and the credit management system must gradually advance in union with

reform of the economic system. For this year, this year the bank should carry out the following pilot projects in reform: First of all, enterprise circulating funds should be managed by the People's Bank alone instead of by the financial and banking institutions both to allow the bank to fully apply the leverage of credit interest and to avoid the wrangling that normally arises between financial and banking institutions due to the lack of coordination in the supply of funds. Second, economizing on circulating funds and medium and short term equipment loans should be integrated. A certain proportion of the portion of funds saved due to completion of norms passed on by the state to accelerate rate of sales and purchase funds or turnaround time of circulating funds may be made the loan norm for circulating funds saved to support technological transformation. Third, the floating interest rate implemented in some firms depending on the speed of enterprise circulating funds turnaround should be made the foundation for bank management of funds and implementing the floating interest rate, i.e., for enterprises which speed up the funds turnaround on the basis of the plan, banks will lower the rate by 20 percent on a loan amount equivalent to the amount saved by accelerating turnaround. For enterprises will be increased by 20 percent on the additional loan funds tied up because of delayed turnaround. Fourth, to adapt to the needs of economic system reform, a business accepting a contract, using taxes instead of profit, or is individually owned should be supported in starting out, settling accounts, and loans. Firms which use new technology to produce goods for which a market cannot be created temporarily also should have sellers credit to support the production of new goods by these firms.

4. Striving to exploit the potential of materials and funds is also an important measure for improving the economic results of credit funds. This year the state demands that the turnaround of circulating funds of Shanxi's industrial firms be accelerated by 3.3 percent and that of commercial firms by 5 percent. Realizing this task in industrial firms alone will save 122 million yuan in funds. For this reason, in addition to supporting enterprises to increase production and expand sales, banks also must help enterprises check on irrationally used materials and funds, and check on the mutual arrears in loans between enterprises and deal with overstocked resources to improve the results of use of funds, gradually transform the situation of high use of circulating funds, slow turnaround, and deficient results to make a contribution to resolving four modernizations construction funds.

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FINANCE AND BANKING

CHEN YUN'S 1957 SPEECH ON CAPITAL CONSTRUCTION RELEVANT TODAY

Beijing JINGJI RIBAO in Chinese 14 May 83 p 3

/Article by Peng Min /1756 2404/ Vice chairman, State Planning Commission:
"The Basic Law of Capital Construction: A Few Thoughts On Rereading
Comrade Chen Yun's Speech 'The Scope of Construction Must Correspond to
National Strength'"/

/Text/ In January 1957, an important speech by Comrade Chen Yun was published on capital construction in the newspaper under the headline "The Scope of Construction Must Correspond to National Strength." After rereading it, I feel strongly that Comrade Chen Yun's article has important guiding meaning whether it be for the past, present, or future. The article relates to the actual practice of capital construction in the past 30 years, the three great upheavals, the policy of the past 3 years in which thorough readjustment, restructuring, reorganization and upgrading has begun to bear fruit, in addition to the tendency of the scope of capital construction in 1982 to be enlarged again. History has already proved by positive and negative examples that Comrade Yun's thesis that "the size of construction must correspond to the financial and material power of the nation. Whether or not it corresponds is determined by whether or not the economy is stable." This is practice proving an objective law.

Marx wrote in several places in "Capital" that society, based on publicly owned production, must calculate ahead of time which enterprises over the long run will preempt the means of production and labor force but temporarily not provide any useful products. What scale should be followed so that they do not influence the interconnectedness of currently instituted production? "The Scope of Construction Must Correspond to National Strength" is an article of scientifically guided ideology which economic construction must follow, as proposed by Comrade Chen Yun, in accordance with Marxism in regard to the theory of reproduction. It is a basic law of capital construction. Violation of this law will mean great suffering and punishment.

During the First 5-Year Plan overall the scope of construction basically corresponded to national strength. At the same time, capital use was relatively concentrated. This guaranteed that key construction for 156 items of large- and middle-scale backbone projects would show good results. This established an initial foundation for future economic development. It

was precisely during these favorable circumstances that Comrade Chen Yun perceived signs that some of his comrades were overextending themselves. Thus, in January 1957, he pointed out with this timely speech that "if financial and material means are insufficient, once the scope of construction is enlarged, it is not that easy to reduce its size and it will cause serious waste." Unfortunately, later situations which violated this law appeared three times.

The first time was in 1958. Capital construction investment leaped 93 percent over that of the previous year. The rate of accumulation shot up 33.9 percent. The next year investment increased another 29 percent. After 1960, it was difficult to continue this rate. In 1962, investment fell from a peak of 38.4 billion yuan to 6.76 billion yuan. And this capital was still in large part wasted on projects with absolutely no beneficial results.

The second time was in 1970. Without regard to the situation in which national income and revenue had successively fallen from 1967 onward, capital investment was suddenly increased 58.9 percent over the previous year. This brought with it a great many subsequent problems.

The third time was in 1978. When the whole economy had not yet recovered from the political chaos which 10 years of disruption had created, capital construction investment was suddenly increased 31.6 percent. Although the scope of the sudden increase was not as large as that of 1958, the rate of accumulation reached 36.5 percent and increased the serious proportional imbalance between accumulation and consumption, and between agriculture and light and heavy industry. Deficits appeared in public finance and overall tension appeared in the distribution of material, market supply and the people's livelihood.

The 3rd Plenum of the 11th Party Congress corrected the "leftist" guiding ideology in economic construction and proposed the correct guiding direction of readjustment, restructuring, reorganization and upgrading. Greatly decreasing the scale of capital construction investment ensured that the scope of construction corresponded to national strength and corresponded to the circumstances of objective realities of the time. From 1979 to 1981, the list of capital construction projects was put in order and altogether over 4,000 engineering projects, over 500 of which were large- and middle-scale projects as well as more than 12,000 were halted or slowed down individual projects. Relying on the decisiveness of the Central Committee and State Council and the earnest effort of the whole nation, a great effort was made to overall reduce investment in unfinished engineering projects by 65.6 billion yuan. Especially in 1980, based on Comrade Chen Yun's opinion, the Central Committee made the firm decision that capital construction must be further reduced, causing capital construction investment in 1981 to be reduced 20.6 percent over that of the previous year. Only then was the scope of capital construction really reduced and did it begin to come under control. This enabled the whole economic situation to rapidly turn around.

However, last year under favorable circumstances the scope of capital construction once again began to increase at a rate of 25.4 percent over that of the previous year. At the time the list of newly begun projects numbered 34,000, the most projects ever begun in 1 year. Since the beginning of this year, this trend is still on the increase. After rereading Comrade Chen Yun's speech, I cannot help but see this as a problem worth serious scrutiny.

Last year's increase was different from the three previous times. In the past, the plan itself, under the guidance of "leftist" ideology, sought high quotas, high speeds and high accumulation, but last year the capital construction was carried out by capital raised independently of the state plan and by various kinds of credit arrangements. This greatly overran the state plan and surpassed the total amount of investment capital of the plan by 50 percent. Capital and material outside the state plan are equally part of national strength and its result will be the same as well. Comrade Chen Yun pointed out that "when the scope of construction surpasses the country's financial and material capability, even if bravely undertaken, economic chaos will appear." This kind of chaos is an imbalance in proportion, with capital construction squeezing out production and heavy industry squeezing out light industry. General construction squeezes out major projects and projects outside the state plan squeeze out projects within the state plan. This disrupts the various proportional relationships in the economic balance. At present, we especially can see that due to a large number of general projects proposed for last year's plan, this has already had an influence on major construction projects.

Major construction projects are related to basic construction, which holds a key position overall in the country. We must uphold the spirit of "the whole country is a chessboard" and expend great effort to assist major construction projects. Especially under the circumstances when our financial and material ability is still limited, general construction, from a limited viewpoint, must also give way to major construction projects even if results from general construction are comparatively better. Energy, transportation and communications, and raw materials are things which industry, agriculture, commerce and the people's livelihood all require. Only when these major projects are included in the state plan can other enterprises have power, "foot power," and "food" to consume and be able to develop effectively. If things are turned around and these enterprises can only be content with enterprises presently in existence for energy, power, and raw materials, this will not be beneficial for the development of the whole national economy. Major construction projects are equally limited in scope by financial and material ability. Planned control must also be implemented over the scope of these projects. They must not become so large that they no longer correspond to national strength. They must proceed step by step in an orderly fashion. Before construction is begun, sufficient preconstruction planning must be carried out according to the procedures of capital construction. Only in this way can construction time be shortened, and the steps of overall production and construction be quickened and good investment results be arrived at. In the arrangement of the general plan, there must also be an order of precedence for some projects. Both the arrangement of that year and the list of major construction projects must be taken into account and arranged according to a reasonable schedule. Only in

this way will high peak needs of financial and material resources required for construction projects not be concentrated together and the situation avoided in which it appears that national strength cannot keep pace during peak concentrations. Major construction and related accessory projects must proceed together. Production-related construction and nonproductive construction must also be in a corresponding proportion, or else the whole national economy will not go forward as well. Over these past 30 years, our experience in this regard has been very profound.

Implementing major construction projects requires concentrating financial and material resources, but this concentration of resources cannot be so places as to "idle by a marshland to fish." Comrade Chen Yun has said that "the first priority is to feed the people, the second is to construct the country." This is the principle of using financial and material resources. In regard to the relationship between financial and material resources, Comrade Chen Yun has said that "the extent to which capital construction is carried out is not determined by how much money is available, but by how much raw materials are available." This point has often been neglected in choosing projects to be placed on the state plan and in deciding on the scope of construction. Material resources are the determining factor. Material and financial resources must be balanced. When the scope of construction does not correspond to material resources, the situation will arise of projects being begun, then halted, then begun again, thus the construction period will be overly extended. The balance between financial and material resources is, therefore an important factor in determining the scope of construction. At present, avenues open for investment are many. The contradiction of material resources not being able to keep up will be even more pronounced. This requires even greater attention from us.

The meaning and words in Comrade Chen Yun's speech are clear and simple. He is explicating Marxism in regard to the proportional relationship between two great portions of social reproduction as well as the basic principle of the relationship of value compensation and material compensation. Now at a time when the scope of capital construction again appears to be on the increase, rereading Comrade Chen Yun's speech has given us new understanding. We certainly must seriously and thoroughly implement Comrade Chen Yun's advice in actual practice and carry out work according to objective laws of capital construction and according to the correct direction of the Central Committee and State Council. We must place the scope of capital construction under control and properly handle the items for major construction to ensure that favorable economic trends be solidified and continue to develop in order to guarantee that the strategic goals for the year 2000 can be victoriously realized.

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FINANCE AND BANKING

CONSTRUCTION FUNDS SAVED BY PEOPLE'S CONSTRUCTION BANK

Beijing JINGJI RIBAO in Chinese 12 May 83 p 2

[Reported by Zhong Yan [6945 4282]: "The Chinese People's Construction Bank Strengthens the Allocation of Funds for Capital Construction and the Management of Loans and Has Saved the State the Capital of More Than 2.4 Billion Yuan"]

[Text] The Chinese People's Construction Bank, giving full play to the functions of a speciality bank, has strengthened the management work of allocating funds and providing loans for capital construction. It has also submitted to the departments concerned rational proposals from the aspects of project decisionmaking, program design, arrangement of plans and the rational utilization of construction funds. In 1982, it saved the state 2.45 billion yuan of construction funds.

Last year, the Construction Bank examined engineering projects with a budgeted (final) account value of 23.52 billion yuan, an increase of 5.8 percent from that of 1981. During the examination, it discovered overpaid accounts of project purchasing funds, with reports of excessive charges or duplicate computation of the amount of work, excessive fraudulent quotas, overestimation of item prices, concoction of various pretexts and the wanton drawing of funds. After mutual discussions, a final decision was reached to approve a net reduction of the account value by 1.01 billion yuan, constituting 4.9 percent of the original amount. They also resolved to conduct investigation of construction sites and over-the-counter payments, to ban projects that are developed without authorization outside designated plans and those that are contrary to the order of capital construction, as well as such unreasonable expenses as those for blindly purchasing materials and equipment or entertainment and gifts. These include more than 50,000 items costing over 960 million yuan.

In order to improve investment results, the Construction Bank also carried out an in-depth study of the feasibility of construction projects and began a wide-scale investigation of investment information. It put forth rational proposals from the aspects of project decisionmaking, program design, arrangement of plans and the rational utilization of construction funds. Last year, more than 1,800 proposals were adopted by the departments concerned, saving the state 480 million yuan in construction funds.

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MINERAL RESOURCES

BRIEFS

TITANIUM ORE DEPOSIT--Information recently provided by the Bureau of Geology and Mines shows that at present, our country's known deposits of ilmenite [titanium] ore are more than double the total known deposits of titanium ores in all the other countries of the world. Experts say that titanium and its alloy possess the excellent qualities of low specific gravity, high strength, resistance to high and ultralow temperatures and to decay. It is an important metal in the construction of airplanes, rockets, warships and submarines. Titanium is also widely used in such civilian industrial departments as metallurgy, chemical industries, light industries, salt and alkali manufacturing. [Text] [Zhejiang ZHEJIANG RIBAO in Chinese 28 Apr 83 p 3] 12380

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INDUSTRY

SHIPYARDS MERGED TO ENHANCE INDUSTRY COMPETITIVENESS

Beijing BAN YUE TAN [SEMIMONTHLY TALK] in Chinese, No 7, 1983, p 24-25

[Article by Li Anding [2621 1344 1353]: "Our Nation's Shipbuilding Industry is Marching into World Market"]

[Text] At a time of recession in the world shipbuilding industry, our country which was an importer of ships in the past has accepted purchase orders from foreign ship-owners for building nearly one million tons of ships worth US\$1 billion in the last three years. In all the current shipbuilding orders received by the various countries, our country ranks third, surpassing the major shipbuilding countries of Britain, Norway, Poland, Spain, lagging only behind Japan and South Korea.

The shipyards in places like Shanghai and Dairen have launched and exported one after another ocean-going cargo ships, tugboats, and oil-prospecting platforms. From designing to building, from materials used to accessories installed, these exported ships have met all technical criteria of the purchase orders. In February this year a Hongkong newspaper wrote: Foreign ship-owners would rather buy Chinese-made ships, because they are low in price, good in quality, and prompt in delivery. Chairman of the British Lloyds Ships Classification Association, the most prestigious ship-building association in the world, had this prediction: "Because of the fact that Chinese ships are excellent in quality and reasonable in price, China may become a future powerful force in the world shipbuilding industry." A West German weekly journal, Mirror, said: "It takes precisely one year for the Chinese people to defeat all competitors and turn out to be West Germany's principal supplier of ships."

Ours is a country with coastlines extending 18,000 kilometers in length, with interweaving rivers and streams, a myraid of lakes and marshes, and a hard-working people who are intelligent and proud of a centuries-old history of shipbuilding and navigation technique. Zu Chongzhi [4371 5897 0037], a scientist of the Northern and Southern Dynasties, was an inventor of foot-propelled ships, the fifth century A.D. He was indeed the first ancestor of suipbuilders. Towards the end of the 11th century, our country was the first to use the compass in navigation. Zeng He (6774 0735), a navigator of the Ming Dnyasty, sailed in a long voyage to East Africa and the Arabian Peninsula. The flagship of his fleet was then the largest one

in the world. Nevertheless, in the semi-feudal and semi-colonial Old China, the shipbuilding industry was in a state of delapidation and disintegration. It was basically a repairing and assembling industry not capable of building presentable ships.

In the days following the founding of New China, tremendous changes have taken place in the shipbuilding industry of our country. Starting from the first 5-year plan, the state has carried into effect expansion and renovation of the shipyards mainly doing repairing and assembling jobs in Shanghai, Dairen, Guangzhou, Wuhan, Tianjin, and other areas. Also carried out in the various areas of navigation and bases of fishery was a construction or expansion of medium and small shipyards, in addition to a projected establishment of organizations for research and designing of ships. Since then, the shipbuilding industry of our country has embarked on a course of transition from repairing of ships to building of ships, from reproduction of ships to self-designing of ships, from building of small inland river boats to building of ocean-going vessels, combat vessels, and engineering vessels of all types.

Since the third plenum of the 11th CPC Central Committee, simultaneously with the adoption of an open-door policy towards foreign countries and the implementation of a policy of flexible economy in the country, there has been a dramatic increase in the volume of ocean and inland river transportation. A reform has also taken place in the shipbuilding industry for the purpose of speeding up its modernization. Shattering the line of demarcation among various departments and regions, the shipyards and the auxiliary shipyards formerly under the supervision of the Sixth Ministry of Machine-Building Industry and the Ministry of Communications were merged in May 1982 to form a new ministerial-level corporation possessing the characteristics of enterprises--China Shipping Industry General Corporation. Being the first of its kind in the whole country, this corporation exercises a unified and countrywide control over the key components of the shipbuilding industry consisting of 33 scientific research and designing organizations of a relatively perfect system, 26 shipyards of big and medium sizes, and 66 plants specialized in the manufacture of main engines, navigation instruments, communications equipment and other auxiliary facilities for use in vessels. In the shipyards are 81 dry docks (with the biggest one capable of servicing ships up to 100,000-tons), and 26 dockyards (with the biggest one capable of servicing ships up to 50,000-tons). Today the shipyards are able to build ships not exceeding 170,000 tons--ocean-going ships, coastal ships, inland river ships, (such as, oil tankers, freighters, container ships, passenger-cargo ships, passenger ships), engineering ships of different types, (such as, ocean survey ships, big dredging boats, high-power rescue tugboats), ocean oil-prospecting platforms, and military vessels of all categories. The business firms coming to our country to order ships are from Singapore, Malaysia, Rumania, Poland, the United States of America, Italy, West Germany, etc. Our country is today a builder of ocean-going ships, and it's a newly-emerging exporter of ships measuring up to world criteria.

The shipbuilding industry is a highly comprehensive industry, which requires not merely a relatively high ability to design and build hulls of vessels, but also a high-quality supporting projects for installation of main engines, auxiliary engines, instruments and gauges. A ship is a mirror reflecting a nation's industrial and scientific-technological level. By 1985, according to an introductory note by authoritative personages, our country will be able to attain a self-sufficiency rate of over 80 percent in supply of materials and equipment needed in building of ships for export. At present, simultaneously with the building of ships at the level of 20,000 to 30,000 tons, efforts are also being made to expand our production capacity to building of 60,000-ton or 80,000-ton ships, and ultimately to building giant ships of 100,000 to 150,000 tons. This trend of development of the shipbuilding industry of our country has attracted the attention of the world shipping market. In an annual report the British Lloyds Ships Classification Association wrote: "People have watched with profound interest the marching of China's shipbuilding industry into the world market with a capacity that is attracting attention."

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CSO: 4013/246

CONSTRUCTION

CONTROL OF SUBSIDENCE IN SHANGHAI REPORTED

Shanghai WENHUI BAO in Chinese 20 Mar 83 p 1

[Article: "Subsidence in Shanghai Basically Under Control"]

[Text] As revealed to our correspondent by the department concerned some days ago, the problem of Shanghai's subsidence, which has long been a source of worry, has been brought basically under control in recent years. According to the result of measurements, the average subsidence rate has been reduced from 40 millimeters each year in the past to only 3-5 millimeters with even some slight upswing in certain places. This gratifying change has been the outcome of strict compliance with the economic law.

The problem of subsidence in Shanghai has been a very serious one. In 45 years from 1921 to 1965, the ground level subsided by 1,760 millimeters on the average and by a maximum of 2,630 millimeters in some sections. The average annual subsidence was 40 millimeters. The main cause of subsidence was the increased use of underground water following industrial development. Since 1963, the municipality has on four different occasions publicized some legal documents and used legal, economic and scientific means to restrict and control the exploitation of underground water. First, in 1963, the municipal people's committee proclaimed the "Regulations for the Control of Deep Wells in Shanghai Municipality" to restrict the sinking of new deep wells and to ban the use of some old ones. Second, in 1965, the underground water was replenished with artificial means, and measures were taken for its rational use. Third, in 1979, the municipal government proclaimed another "Regulations for the Control of Deep Wells in Shanghai Municipality" and began to use such economic means as charging for the use of underground water according to a scale whereby any consumption over the planned amount would be charged 10 times higher. Fourth, in 1982, certain amendments to these regulations were made to enlarge the scope of charges, to readjust the charge scale, and to strictly prohibit unauthorized well-sinking. On each occasion, the regulations, measures and their enforcement became stiffer and more effective. In the nearby suburbs, for example, the use of underground water in 1980 was 10 percent below 1978, and that of 1981 was again 21 percent below 1980. Because of the reduction in the consumption of underground water, the subsidence has been brought basically under control.

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CONSTRUCTION

NEW MODEL RESIDENTIAL HOUSING BLOCKS TRIED OUT IN SHANGHAI

Shanghai WENHUI BAO in Chinese 18 Mar 83 p 1

[Article by Sun Zhonglian [1325 0022 6647]: "New Model Residential Houses Tried Out in Shanghai"]

[Text] The breaking of ground for a residential area--the Taoyuan Xinquan [New Village]--formed of houses of completely new designs, took place 2 days ago. The municipal capital construction commission has chosen to enter the designs of this experimental neighborhood in a national contest of designs of residential areas completed this year.

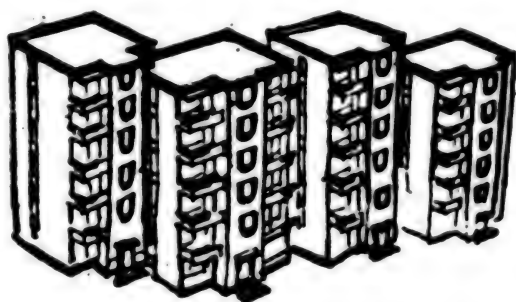
Taoyuan Xinquan was designed by Shanghai Civil Engineering Design Institute. Some time ago, our correspondent inspected the three-dimensional model of the new residential area and found these residential houses--with all their individual characteristics in the final layout--a far cry from the monotonous "barrack-type" and "flat-roof" houses which have been designed for a long time. There is certainly an element of novelty in these houses. Architect Xing Tonghe [6717 0681 0735], who was responsible for the designs of these houses, said: Taoyuan Xinquan occupies 8.6 hectares of land, and according to the design, there will be an area of 100,000 square meters of residential housing. The design personnel have carried out bold experiments in designing this residential area. Vice Chief Architect Zhang Ming [4545 2494] and some others proposed the use of "butterfly," "pagoda" and "carpenter's square" designs for the housing blocks, interspersed with five blocks to tall structures so as to give a harmonious skyline and a suitable density for this residential area.

According to this responsible designer, these newly designed residential houses are not only attractive in appearance, but also practical and comfortable for living in. In the "butterfly" blocks, for example, a small hall of 4-6 square meters has been added for each household; in the "pagoda" blocks, there is for each household a fairly spacious and independent sundeck on the flat roof; and in the "carpenter's square" blocks, there are special "garages" for bicycles. All these new houses face south and enjoy good lighting and ventilating conditions. The areas of kitchen, toilet, and sundeck are larger than in other houses.

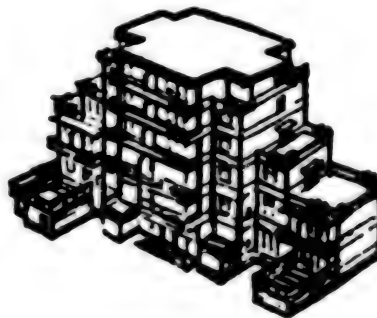
Architect Xing Tonghe said: "After professional measurement, the space utilization rate is up to the state's standard and the space to be used for tree-planting or to be left vacant is even increased."

Xing Tonghe added: "These new-model houses have been designed according to national standards, and the construction cost, according to our estimate, cannot be much affected. However, since the construction units are not yet familiar with these new models, the construction time and expenses may be slightly higher for a while."

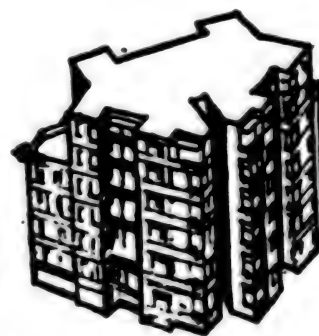
Taoyuan Xinquan is located at the right side of Chengzhong Road near the northern gate at Jiading. Work is now proceeding in earnest, and houses of various designs will be seen in their rudimentary forms in the first half of this year. They will be entered in the national contest in August. After this experience, buildings of new designs will gradually be popularized in the municipality.



"Carpenter's Square"



"Pagado"



"Butterfly"

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CONSTRUCTION

NEW METHOD TO SUPPLY CAPITAL CONSTRUCTION MATERIALS TESTED

Lanzhou GANSU RIBAO in Chinese 1 Apr 83 p 3

[Article by Wang Zuoyan [3769 0155 6056]: "Supply of Capital Construction Materials in Complete Sets Tried Out in Our Province"]

[Text] After bold explorations for reforming the system of material supply, the material department in our province has experimented with the supply of capital construction materials in complete sets. This method has produced gratifying results in reducing the intermediate links, economizing on capital construction investment and ensuring the completion of key construction projects.

Supply in complete sets after the reform takes two different forms: first, supply in large assortments, meaning the supply of comprehensive assortments by the provincial material bureau according to the requirement of the project; and second, supply in small assortments, meaning the supply of various varieties and specifications by the companies under the provincial material bureau within their lines of production. This method of supply is being hailed by the consumers in the capital construction department as a "convenient assorted dinner plate."

In the past, capital construction materials had to be supplied upon application for quotas at every level. In other words, the capital construction unit, or the contracting unit, had to apply to the department in charge which, in turn, had to incorporate all requisitions in a general requisition of its own to be submitted to the provincial capital construction commission and the provincial material department. The quotas of distribution had to be applied for in a similar way. The defect of this system was that, on the one hand, there were too many links in the circulation, causing waste of time and increase in construction costs; and, on the other hand, there was no direct relation between the distribution of materials and the requirement of the projects. As a result, the supply of materials for the key projects could not be ensured, and the procurement agents had to hope for miracles. This fostered the unhealthy tendency of "backdoor dealings."

The company dealing in building materials and chemical and light industrial supplies under the provincial material bureau was the first to reform these

methods. After the second half of 1980, this company set up a glass-trimming station to supply plate glass according to the required specifications for the capital construction projects in Lanzhou area. The materials were directly supplied in complete sets to the construction sites, thus reducing the intermediate links and raising the utilization rate. In 2 years, the new method has helped save enough glass for the peasants to build their own houses in 10 medium-size counties in our province. Last year, this company further popularized this method in the supply of 15 different materials including small-kiln cement, white cement, asphalt felt, asbestos tiles, heat diffusion fins, toilet ceramics and insulating materials. This method has been adopted in 818 single-item engineering projects in the province with good results. The provincial material bureau promptly popularized this company's experiences and established a provincial staff office for the supply of materials in complete sets. Since July last year, on the basis of experimenting with small assortments, comprehensive large assortments have also been tried out in the supply of materials and equipment required throughout the entire process of construction, from the period of civil engineering to that of equipment installation. This method has greatly reduced the intermediate links and capital construction expenses, shortened the construction period, and guaranteed the completion of key projects. It is highly regarded by the capital construction and contracting units, and is being used in 10 prefectures and municipalities in the province.

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CONSTRUCTION

READERS' QUESTIONS ABOUT PRIVATE HOUSES IN GUANGDONG ANSWERED

Guangzhou YANGCHENG WAN BAO in Chinese 17 Mar 83 p 2

["Answers to Readers' Questions Concerning Private House Transformation"]

[Text] All cities and towns throughout the province are now implementing the state's policy on private houses and are attending to the problems in the transformation that have been left over from the past. We have now invited a responsible comrade of the municipal construction bureau of Guangdong Province to supply answers to the questions raised by our readers in their letters and visits as follows:

Question: Why is it necessary to clear up the outstanding matters in the transformation of private houses?

Answer: Transformation of urban private houses in our province began in 1958. This transformation played a positive role in the all-round fulfillment of the task of urban socialist transformation, in meeting the needs of socialist construction and in improving people's living conditions. Because of "leftist" mistakes, however, some localities at that time did not conscientiously implement the state's housing policy; instead, they enlarged the scope of transformation and wrongly transformed some private houses. In some cases, no housing space was left for the houseowners, or not enough interest was paid on the rental due. In 1981, in the spirit of setting things right as called for by the Third Plenary Session of the 11th Party Central Committee, the people's provincial government called on all localities to implement the state's plan for the transformation of private houses by clearing up the outstanding matters in the first half of this year.

Question: What were the private houses that had to be transformed?

Answer: According to the regulations then in force, the scope of transformation was mainly as follows:

1. If the total area of private houses owned by the members of a family --which serves as an economic entity--and rented out in a city or county was up to a point called the transformation point, these houses were subjected

to transformation. The transformation point was set under a unified plan in our province. According to the urban construction system in force during the transformation period, the area at the transformation point was 150 square meters in large cities; 100 square meters in medium-size cities; and 80 square meters in small cities. The transformation point for houses rented out by overseas Chinese (compatriots in Hong Kong and Macao not included) is invariably raised by 20 percent.

2. Nonresidential buildings (including those used by government offices, enterprises, hospitals and schools) rented out by private individuals, and houses (either residential or nonresidential) rented out by former landlords, rich peasants or capitalists are all subject to transformation.

3. All auxiliary structures, such as fence walls, corridors, toilets, water and power supply equipment, and the foundation belonging to the transformed houses, should also be subject to transformation.

4. Houses which were bought by overseas Chinese and the compatriots of Hong Kong and Macao after liberation with their remittances, foreign currencies brought in by themselves, or renminbi obtained in exchange for their jewelry and which were later rented out through the mobilization arrangement of government offices or mass organizations and whose rentals were used for public welfare, were not subject to transformation no matter whether they were residential or nonresidential houses and regardless of the amount of rentals. No transformation was required for unrented vacant houses.

Question: Is the entire rented house whose area has reached the transformation point, or only the portion that is over and above the transformation point, to be transformed?

Answer: Any house that has passed the transformation point is to be entirely transformed.

Question: What is meant by the mobilization arrangement of government offices and mass organizations?

Answer: It refers to the action taken by the party, government or military organizations at various levels, or by the municipal or county housing administration, civil affairs, overseas affairs, public security, commercial or other functional departments, in persuading houseowners to rent out their houses--originally not intended for renting--to units or individuals in meeting the requirements of production and business operation, or other special needs. If the renting was negotiated directly between the tenant units or individuals and the houseowners, then no mobilization arrangement is involved.

Question: How is the standard interest on the rental to be paid to the houseowner?

Answer: Generally, the standard interest is 20-40 percent of the rental. The actual percentage was determined for individual houseowners at the time of transformation. The standard interests were to be paid from the time of transformation up to September 1966. Interest was paid for 5 years after the transformation even though the duration was less than 5 years.

Question: How will the problem of housing accommodation be solved for the houseowner whose private house has been transformed?

Answer: The area of housing accommodation for the house-owner is based on the original level. If the houseowner no longer has any housing space of his own, then suitable space will be provided in the area where his house is located according to the size of his family.

Question: What are the outstanding matters in the transformation of private houses now being attended to?

Answer: The outstanding matters are mainly related to the following situations:

1. Based on the scope of private house transformation, all houses that have been wrongly transformed should be returned to the houseowner without further transformation.
2. If the houseowner had not house, and no housing space was left for him at the time of transformation; and if the houseowner happened to be away in another place and no housing space was left for him during his absence, part of his own house can be returned to him when he returns to stay in his home town and has been duly registered with the authorities. The area to be returned will depend on the size of his family either at the time of transformation or the time of his return. However, if sufficient housing space was already given him at the time of transformation, he is not entitled to any further increase for the addition to his family or for his sons and daughters who have grown up.

There should be greater flexibility in leaving houses for overseas Chinese or the compatriots of Hong Kong, Macao and Taiwan. If they no longer have more houses in the city after their houses--which were rented to others--were transformed, certain arrangements should be made to provide them with fairly complete housing facilities even though they do not return for permanent residence.

3. The payment of interest on rentals that are in arrears should all be brought up to date.

4. All houses that have been transformed according to state policies should be brought under the unified management of the state. The original houseowners cannot repossess them. Those who have forcibly occupied them should immediately move out. If anyone refuses to move out, the housing administration department has the power to evict him and request the judicial department to take legal action against him.

Question: How will the outstanding matters be handled in the rural market towns where the transformation of private houses has been carried out and where the system of town construction has not been adopted?

Answer: The outstanding matters will be handled in accordance with the policy for the transformation of private houses in small towns. The transformation will be withheld if the conditions for transformation are not met.

Question: In the past, some people were wrongly classified as members of the exploiting classes, and their houses rented out to others were transformed with no reference to the transformation point. What will be done about these cases?

Answer: Those who were formerly wrongly classified as landlords, rich peasants or capitalists have been rehabilitated by the departments concerned, or reclassified as small entrepreneurs, small traders, peddlers or small handicraft workers. If their houses have been transformed without considering the transformation point, the transformation point should now be used. With the exception of nonresidential houses which are subjected to transformation in any case, all residential houses which are not up to the transformation point should not be transformed.

Question: Will there be a settlement of the rentals for the houses which no longer need to be transformed?

Answer: In principle, there will be no settlement of accounts with the houseowners. However, if the housing administration department has carried out any alteration or expansion of the house so that its value has been increased, the housing administration department can either purchase the original house at a discounted price or sell the altered or expanded portion to the houseowner also at a discounted price.

Question: If some houses, for which transformation should be suspended, have been demolished or have collapsed, how will such cases be handled?

Answer: If the houses have been requisitioned and demolished to meet the requirements of construction, the unit which has made the requisition should pay the compensation according to regulation. If they were dangerous buildings for which demolition was approved, payment will be made for its residual value. Whatever is left after an earthquake, a storm, a flood or any other natural disaster will be returned to the owners (or will be paid for at discounted prices.)

Question: Will the suspension of transformation be accompanied by the return of proprietary rights or occupancy rights?

Answer: If the house was originally rented out by the houseowners, both proprietary rights and occupancy rights should be returned, provided the house is vacant and conditions permit. If the house is still occupied by

the tenant, then only the proprietary right, but not the occupancy right is returned, and the tenancy is to be renewed through arrangement between the owner and the tenant. If the tenant no longer requires the use of the house, the occupancy right should return to the owner. The tenant cannot rent or transfer the house to others. If the house was originally occupied by the owner himself, then both the proprietary right and the occupancy right should be returned at the same time. The return of occupancy right should be carried out under the principle "he who uses the house will vacate it." If the house is used by a unit, then this unit should vacate it; if the house is used by the workers, then the unit of these workers should still arrange to vacate it; if the house is occupied by ordinary residents, it should be vacated with the cooperation of the housing administration department. All units should treat the tenants who have to surrender the occupancy right as people without housing accommodation. If they cannot vacate the premises immediately, arrangements should be made with the houseowner for setting up the time for the house to be returned. Forced eviction is not allowed. If the house had originally been rented out, the houseowner is not allowed to evict the tenant by force when his proprietary right is recovered. Any violation of the housing law will be dealt with according to law. Those who stay in the houses originally occupied by the houseowners, and who unreasonably refuse to return the house even though conditions permit will also be dealt with according to law.

Question: How will the scale of rental be determined for private houses after the recovery of proprietary right?

Answer: This will be determined at the discretion of the housing administration department. The rental on private nonresidential houses cannot be higher than the rental scale set by the local housing administration department. The rental on residential houses, however, can be slightly higher.

Question: Will there be any transformation for those houses which have been left out by mistake, and for those houses which will be rented out in future?

Answer: Some houses which should be transformed according to regulation were left out by mistake. If the procedures for making up the transformation have been followed according to the State Council's relevant regulations, no further transformation will be required. However, all the private houses which were taken over during the "Great Cultural Revolution" and for which the transformation need not be made up, should all be returned to the owner. In implementing the policy of the transformation of private houses now, no investigation will be carried out on any past omission. It will be permissible for private individuals to rent out their houses, either residential or nonresidential, regardless of the amount of rental, and no further transformation will be required.

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CONSTRUCTION

JINGJI RIBAO WARNS AGAINST EXCESSIVE CAPITAL CONSTRUCTION

Beijing JINGJI RIBAO in Chinese 25 Mar 83 p 1

[Editorial: "It Is Harmful To Undertake Capital Construction Indiscriminately"]

[Text] We have already carried several editorials on the question of stopping duplicate construction in order to ensure the completion of key projects, but have so far failed to attract serious attention. Therefore, we would like to say something more.

One of the problems most deserving of public notice in our economic work is that some localities and departments have started many duplicate projects in the processing industry or some high energy-consuming industry and thus aggravated the shortage of raw materials and energy. Some of our comrades have lost no time in starting new projects, opening new enterprises or increasing their productive capacity whenever the need for "quadrupling" is mentioned. We can understand their feelings which may be justified in the light of a locality or department. However, we must think of the overall situation, the state's unified plan, the overall national economic balance, and the need for the scope of capital construction to suit the national financial and material resources. We must realize that in order to accomplish the task of "quadrupling," in addition to ensuring the completion of the state's key projects, the main way is to bring into full play the latent resources of existing enterprises, to focus our effort on the improvement of economic results and to rely on technological progress.

It is harmful to undertake new projects indiscriminately. Overinflation of the scope of capital construction will bring about a decentralization of funds and materials, and the urgent key projects of the state will not be completed on schedule. If we cannot ensure the on-time completion of the key projects for energy and transportation in the first 10 years, we will also be unable to ensure equipment renovation and technical transformation for existing enterprises, or to improve national economic results. Then there cannot be any vigorous economic development in the next 10 years, or any "quadrupling" by the turn of the century. Historical experience has shown that opening new enterprises and starting new projects indiscriminately can do great harm. Because of the increased volume of investment in fixed assets, capital construction will compete with production, unplanned projects

will compete with planned projects and ordinary projects will compete with key projects. An excessive scope of capital construction will also affect the market and the people's livelihood. It takes only 1 year or 6 months to start or to halt capital construction on a large scale, but it will take a long time to get over the aftereffects. We must never forget the experiences and lessons for which we have already paid heavy prices. The present excellent situation must not be jeopardized by considerations of local or departmental interests. Among the principal measures in the Sixth 5-Year Plan announced by Premier Zhao Ziyang in his report at the Fifth Session the Fifth NPC, the first one reads: "Exercise strict control over the volume of total investment in fixed assets and ensure the completion of key construction projects and the technical transformation of enterprises as scheduled." As long as we do our work well in this direction, we will be able to attain the grand objective of quadrupling the output value with the volume of investment that suits our national strength.

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CONSTRUCTION

REGULATIONS ON FEASIBILITY STUDY IN CONSTRUCTION

Beijing JINGJI RIBAO in Chinese 24 Mar 83 p 1

[Article: "State Planning Commission Proclaimed Experimental Control Regulations on Feasibility Study in Construction Projects"]

[Text] To improve the control over construction projects and to strengthen the advanced planning and study, the State Planning Commission recently proclaimed the "Experimental Control Regulations on Feasibility Study in Construction Projects."

The regulations pointed out that the policy decisions for construction projects and their implementation must strictly conform to the capital construction procedures set by the state. It specifically stipulates that the feasibility study of projects is an important feature of the advanced work of the construction and a component of the procedures of capital construction. The regulations pointed out that before carrying out the feasibility study of any construction project, all ministries, provinces, municipalities, autonomous regions, specialized companies and enterprises should be guided by the state's long-range plans for economic development, the plans of various trades and regions, the principles of social economic development and the technical and economic policies and construction tasks in combination with the conditions of resources and the rational layout of construction projects; and after investigations and study, the collection of data, the survey of the construction site, and the preliminary analyses of the investment returns, they should put forward their proposition for a feasibility study of the construction projects. Then the planning departments at all levels will submit their proposition documents to be comprehensively studied. The propositions will then be included in the plans for advanced work at various levels according to the relevant regulations, and a feasibility study will be carried out. The regulations also stipulated that the task for the feasibility study is to conduct an all-round analysis and appraisal so as to determine whether the construction project is rational and feasible with regard to technology, engineering and economy. There should also be a comparison of many alternate plans before an evaluation is given as a reliable basis for compiling the task-assignment document.

According to the procedure for advanced work in construction as pointed out in the regulations, the work of planning before the decision on investment

is divided into three different phases: First, the proposition document is compiled according to the long-range plans of the national economy, and a preliminary study is conducted on the necessity and feasibility of the construction project. Second, a more detailed feasibility study will be conducted on the first selected projects. A more specific evaluation will be made on the technical and economic feasibility of the project, and an analytical comparison of alternate plans will be carried out. Third, after the compilation and approval of the task-assignment documents, a decision will be made on whether this or some alternate project should be started. After this decision, a preliminary design will be worked out according to the stipulated procedures, and construction will begin according to the compiled blueprint.

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CONSTRUCTION

RESTRICTION ON CAPITAL CONSTRUCTION INVESTMENT URGED

Beijing RENMIN RIBAO in Chinese 28 Mar 83 p 5

[Article by Ren Tao [0117 3447] and Pang Youngjie [7894 3057 2638]:
"Exercise Strict Control Over the Volume of Total Investment in Capital Construction"]

[Text] In his "Report on the Sixth 5-Year Plan," Premier Zhao Ziyang pointed out: Strict control must be exercised over the volume of total investment in fixed assets, particularly in capital construction, so as to adapt it to the national strength. This is the basic requirement for maintaining the stability and harmonious development of economy. It is a concise summation of our experiences, both positive and negative, in economic construction over the past 30 and more years, and is of such significance that we must translate this spirit into action.

A Profound Historical Lesson

We have had several serious setbacks in economic construction only because of the excessive expansion in capital construction and the blind increase in its investment. The first setback took place during the "Great Leap Forward" in 1958, when the investment in capital construction increased by as much as 12.8 billion yuan in 1 year. Appropriation for capital construction accounted for 40 percent of the national spending, and the accumulation rate reached 33.9 percent in the same year. In the next 2 years, the accumulation rate still remained at 39.6-43.8 percent, resulting in a financial deficit of more than 17 billion yuan. Investment returns were greatly reduced and the proportion of large and medium-size construction projects available for operation was lowered from 26.4 percent in 1957 to approximately 10 percent. The second setback came in 1970 when investment in capital construction increased 12.2 billion yuan over the preceding year. Appropriation of funds for capital construction that year accounted for 45.9 percent of the national spending, and the accumulation rate reached 32.9 percent. In the next 5 years, the accumulation rate still remained as high as 32-35 percent. The proportion of large- and medium-size construction projects available for operation also registered a sharp drop. The third setback came in 1978 when the investment in capital construction increased by 12.1 billion yuan over the preceding year, and the appropriation for capital construction accounted for 40.7 percent of the national spending. The accumulation rate was 32.3

percent and remained at 31.6-36.5 percent in the next 3 years. The proportion of large- and medium-size construction projects available for operation dropped to 5.8 percent in 1978, even lower than in 1958 and 1970.

The inflation of capital construction investment on these three occasions produced a chain reaction. The sharp increase in investment brought about a rise in the accumulation rate, which in turn necessitated a large-scale increase in financial appropriation for capital investment. As a result, the increase in financial payments exceeded the increase in financial receipts and led to financial deficits. The large-scale increase in capital construction appropriations also led to an all-round shortage in the supply of the means of production and stimulated the blind expansion of heavy industry, which naturally affected the production of the means of subsistence, simple reproduction and people's livelihood. When we could not afford to let this situation continue, we had to carry out drastic economic readjustments and to use coercive administrative means to cut down the scale of capital construction. As a result, many projects had to be halted half way, causing overstocking and even total waste of large amounts of equipment. Many plants serving capital construction had to reduce or suspend their production and a huge construction force had to be left idle. The waste and loss thus caused were incalculable.

New Developments and New Problems

After the Third Plenary Session of the 11th Party Central Committee, and on the basis of setting things right, we took full account of the historical lessons in formulating the Sixth 5-Year Plan. We decided to allocate 230 billion yuan for capital construction, and this decision was a correct one. In 1982, however, because of the all-round improvement of the national economy, there was again a sharp increase in extra-budgetary investments. Many localities and units had acquired increased decisionmaking power. With more funds at their disposal, they were able to embark on many construction projects not included in the plan. According to the preliminary statistics of the department concerned, the total amount of capital construction investment of the units owned by the whole people was in 1982 beyond the limits of the original state plan, and much larger than in 1981; and the absolute amount was even unprecedented. At the same time, the extra-budgetary funds were far more than the state's budgetary funds. We should take a serious view of this new development.

Drastic increase in extra-budgetary investments has also brought along with it the irrational use of investments. Most of these funds were invested in the processing industry and there has been a spate of duplicate construction in the textile and light industries and duplicate building of enterprises for the production of mechanical and electrical equipment for daily use. However, very little of these funds went to the development of energy and transportation. Although the absolute amount of investment in the energy industry was increased slightly, the proportion of these investments to the total investment in the previous year not only failed to increase, but also dropped below the 1981 level.

From what has been mentioned, we can see that the volume of capital construction investment in 1982 actually failed to meet the requirements of an overall balance. Nevertheless, the situation in 1982 was different from any of the three setbacks we experienced in the past mainly in the following respects: There were no high targets; the state's plan called for only "guaranteeing 4 percent and striving for 5 percent [increase]"; the supply of commodities on the market was satisfactory; and there was a "buyer's market" for some consumer goods. This shows that after several years of economic readjustment in our country, the proportionate relationship between accumulation and consumption and among agriculture, light industry and heavy industry has become basically harmonious. We must note that this was a hard-won victory in nearly 3 years of readjustment for which we had to pay a heavy price. Unfortunately, some abnormality has already surfaced because of the drastic expansion of capital construction last year.

1. The rate of increase in capital construction investment has far exceeded the rate of increase in the national income. This led to an upswing of the accumulation rate to approximately 30 percent and a marked rise in the ratio of capital construction investment to the national income.
2. The volume and rate of increase in capital construction investment has far exceeded the volume and rate of increase in the national income. Although a substantial portion of the investment was from extra-budgetary funds or funds obtained from bank loans and would not directly upset the balance between national receipts and payments, the credit balance was affected. Last year, the basic credit balance was maintained mainly by the 15.17 billion yuan of savings deposits of the people. However, we must be aware that excessive use of these savings deposits in capital construction can be dangerous.
3. The rate of increase in capital construction investment greatly exceeded the rate of increase in building materials. It is estimated that in 1982, compared with 1981, steel materials increased 8.6 percent; cement increased 13.5 percent; and timber decreased 11.7 percent. The rate of increase in the main items of building materials was far below the rate of increase in investment. To fill these gaps, aside from the use of reserves in the warehouses, we had to import huge quantities of steel materials, timber and cement. Even these expedients cannot solve the problem of shortage of the "three materials," and the requirements for timber in some light industrial production still cannot be met.

The excessive extra-budgetary investment has brought about the phenomenon of ordinary projects competing with key projects and expanded reproduction competing with simple reproduction. In capital construction, some indices of economic results which were raised after several years' effort have once again been lowered. For example, the proportion of fixed assets available for production has been lowered from 86.7 percent in 1981 (the highest ever since 1965) to 80 percent, and the proportion of completed housing was lowered from 51.4 percent to 19.5 percent. We must never repeat our former mistakes simply because our economic situation has taken a turn

for the better. If we allow this blind expansion of capital construction investment to continue, all the gains from several years of hard work in economic readjustment will be lost.

Several Tentative Ideas for Controlling Capital Construction Investment

To exercise strict control over the volume of investment in capital construction so that it will suit our national strength, and to ensure the rational use of construction funds in order to improve the investment returns, Premier Zhao Ziyang, on behalf of the State Council, laid down five important regulations in his "Report on the Sixth 5-Year Plan." We may consider the adoption of certain concrete measures for implementing these five regulations more effectively.

1. The excessive volume of capital construction investment in recent years was mainly due to the loss of control over extra-budgetary self-raised funds and the breakdown of the bank loan plan. Therefore, the various channels of capital construction investment, particularly self-raised funds and bank loans, must be included in a unified plan. While working out plans for capital construction investment, we must follow the rules of differentiated administration and gradually apply them in concrete action. We must guard against the practice of outwardly incorporating a certain project in the state's plans but actually refusing to accept the restrictions of these plans. The plans for capital construction should stipulate the amount of investment from each channel as well as the expected investment returns so that the finance departments and construction banks at various levels can exercise more effective supervision over the source of funds and the orientation of their use.
2. Different methods of control should be adopted for simple reproduction and expanded reproduction. It is easy to recognize purely expanded reproduction, but not so easy to classify those investments carried out in the name of renovation or transformation, since these investments have the characteristics of both simple and expanded reproduction. They must be clearly distinguished from each other. For the portion belonging to simple reproduction, there is mainly the question of an effective way to combine it with the technical transformation of enterprises and we can be more flexible in this respect. However, we must guard against capital construction for extensive expanded reproduction carried out in the name of technical transformation. The portion belonging to expanded reproduction should be strictly controlled in the same way we control capital construction. Generally, we should arrange for funds to be used on renovation and transformation first and for capital construction later.
3. In controlling capital construction, we should carefully use prices, tax, loan, interest rates and similar economic levers to regulate the orientation of investment so that they will be well coordinated and be able to harmonize their roles in guiding the enterprises to meet the requirements of state plans. In controlling the scope of capital construction and the orientation of investment, just as in adopting measures in other economic spheres, we cannot solely rely on administrative means. We must

utilize economic levers to link the benefits or losses from capital construction with the personal interests of the investors. Only thus can we actually and effectively control the volume of investment, set right the orientation of investment, avoid duplicate construction and meet the needs of key construction projects.

At the same time, we should vigorously strengthen the system of economic information for various trades and undertakings, since the lack of current information is also one of the causes of blind investment.

4. We should have plans for the development of various trades so as to help them decide on what and how much to produce. When plans for long-range development and for technical transformation are available, we can use them as the basis for the distribution of funds (including state funds, bank loans and self-raised funds of the localities and enterprises) according to the requirements of an overall balance. The funds can be used to support those enterprises producing goods in short supply or goods for energy conservation, according to the plans of development, or to finance the renovation of equipment for energy conservation. As to those enterprises which are producing goods in excessive supply, and whose productive capacity will be excessive to actual needs, the supply of funds, equipment and raw materials should be strictly controlled as circumstances permit.

We must be sure that the requirements of key construction projects are taken care of in the manufacture of equipment and distribution of materials and restrict the number of projects that are not included in the plan. The distribution of building materials required for renovation and transformation and the method of their control should be helpful in guarding against the diversion of funds to capital construction.

5. We must have a unity of purpose and form the idea of "coordinating all activities in the country like pieces in a chess game." All comrades engaged in economic work should realize that the improvement of economic results for the society will best serve people's basic interests. While stepping up ideological education, and on the basis of carefully summing up our experiences, both positive and negative, in capital construction over the past 30 and more years, we should adopt the strictest possible system of responsibility and enact the statutes concerning capital construction investment together with the rules and regulations concerning rewards and punishments so as to strengthen the work of the legislature and judiciary and to provide proper legal guidance.

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DOMESTIC TRADE

RESULT OF MARKET DEMAND SURVEY IN HUNAN REPORTED

Changsha SHICHANG TIAOJIE in Chinese 25 Apr 83 p 1

/Article by Jin Gu /6855 6253/: "1983 Peasant Demand Seen From Sample of 1,420 Households; Demand for Means of Production Will Continue to Increase, Medium and High Grade Products Will Increase Greatly, Demand for Construction Materials Will Double and Redouble"

/Text/ According to a survey of 1,420 households in 35 counties done by the Provincial Statistical Bureau, it is estimated that in 1983 purchases of goods by peasants will average 217.07 yuan per person, a 21.9 percent increase compared with 1982. General trends in demand for goods are: construction materials will double and redouble, middle and high grade goods will increase greatly, and means of production will continue to grow.

Peasant demand for construction materials is urgent. Of the 1,420 households, 183, or 12.8 percent of those in the survey, will be ready to build houses in 1983, an increase of 45.2 percent over 1982, and outlays for purchases of construction materials will average 126.38 yuan per household, an increase of 65.9 percent over the previous year. The 183 households which will be building houses plan on building 572 new rooms, for a total of 13,293 m², of which 90 percent will be of brick and wood construction, and some will be building buildings of more than one story. The estimated demand for materials is 701.2 m³ of lumber, 18,197 kilograms of steel, 141.4 tons of cement, 1.35 million bricks, 1.73 million tiles, 951 m² of glass, a more than two-fold increase on average over the previous year. The 473 steel reinforced concrete pillars and beams is an increase of 32.9 percent over the previous year. For peasants, the size of the demand for construction materials and the number of varieties is rare in history. However, the contradiction of supply and demand is very sharp, in particular there is a shortage of wood, glass, cement, and 6010 mm wire rod.

Demand for Medium and High Grade Goods will Increase

The average estimated expenditure per household for medium and high grade goods is 55.43 yuan, an increase of 29.5 percent over the previous year. The 1,420 households plan to buy 168 bicycles, an increase of 76 over last year, or an increase of 82.6 percent; 103 sewing machines, an increase of

29, or 39.2 percent; 181 radios, an increase of 57, or 46 percent; 269 wrist watches, a reduction of 52, or a decrease of 16 percent; 23 electric fans, and 8 television sets, about a three-fold increase. Peasant demand for medium and high grade goods not only will increase in numbers, but also in name brand goods. One peasant in Hetang Commune in Taojiang County plans to use 200 yuan he has saved in a credit society to buy a sewing machine made in Shanghai, and has waited 4 years to buy it. Famous brand name bicycles are hard to buy. The peasants say, "The 'Phoenix' never touches the ground, the 'Flying Dove' never comes in the door, 'Forever' never comes." This fully reflects the urgent desire of the peasants to buy famous brand name goods.

Demand for Agricultural Means of Production Will Continue to Increase

The peasants will continue to increase capital production to expand production. According to this estimate of 1,420 households, in 1983 purchases of agricultural means of production will reach 337,000 yuan, an average of 232.88 yuan per household, an increase of 183.35 yuan, or about 27 percent. Their demand for means of production, chemical fertilizers and pesticides, will increase greatly. These 1,420 households want to buy 559 tons of chemical fertilizers, an increase of 11.4 percent over the previous year; 104.3 tons of urea, an increase of 18.7 percent; 53 tons of potash fertilizer, an increase of 42.8 percent; 53,446 catties of scientific pesticides, an increase of 7.2 percent; 1,537 catties of plastic film, an increase of 16.2 percent. Adjusted for the entire province the demand for chemical fertilizers will reach 4.272 million tons. The demand for plows, harrows, and winnowers will decline about 10-50 percent, but that for rice threshing machines, rubber-tired wheelbarrows, and manually operated sprayers will increase 3.6 percent, 33.3 percent, and 26.3 percent respectively, and for diesel engines, agricultural pumps, and feed grinders demand will double and redouble.

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DOMESTIC TRADE

READJUSTMENT OF PRODUCT MIX IN LIGHT INDUSTRY

Guangdong NANFANG RIBAO in Chinese 16 May 83 p 4

[Article by Tang Ying [3282 7336] and Luo Xiandi [5012 0341 6611]: "The Readjustment of the Product Mix in Light Industry Requires Doing Things According to the Wishes of Consumers"]

[Text] How is the product mix in light industry to be readjusted? In order to clarify the direction of readjustment, we have to understand clearly the condition of the people's income in our province as well as the changes in the level, consciousness and structure of consumption, and to be determined to do things according to the consumers' wishes. After all, the purpose of production is for people's consumption. As Marx has pointed out in the introduction to "A Critique of Political Economy": "Without production, there is no consumption. But without consumption, there is also no production, there is no consumption. But without consumption, there is also no production, because if that were so, production has no purpose."

In recent years, with the rise in the levels of income and people's consumption in the cities and countryside, the change in the people's consciousness of consumption has also become greater. In the past, what people wanted was enough food and warm clothing; now they want "food that is nutritious and clothing that is attractive." In the past they were only particular about their food and clothing, now they want to be "particular about what they use and to have living quarters that are spacious." In the past, it was enough to satisfy the basic needs of life, now, some consumers (high-consumption strata) also consider the needs of enjoyment and development.

Naturally, the income and levels of consumption of people are uneven. Some are above and others below the average level, the structure of consumption is, thus, multilevelled. In our province, there are more people in the high-consumption strata in the special economic zones, overseas Chinese townships, large- and medium-sized cities and areas where the commodity economy is relatively developed, and their demands for light industrial products are higher. In certain mountain districts and areas where the commodity economy is still not well developed, there are more consumers who are below the average level and their demands are different.

In accordance with the fact that the income levels of the people in our province's cities and townships are high, that the level of consumption is high, that there have been great changes in the consciousness of consumption, and that the structure of consumption is multilevelled, the readjustment of the product mix in light industry in our province should, after the basic needs of life, such as food, clothing and consumer goods have been satisfied, develop in a planned way more high-grade consumer goods that are compatible with the demands of the special economic zones, overseas Chinese townships, cities and areas that have become prosperous earlier, so as to meet the different needs of the multilevelled consumers. Whether it is high-, medium- or low-grade products, they should be developed rapidly in the direction of being new, good, beautiful and inexpensive, following the people's wishes to improve, enrich and beautify their lives, as well as the conditions of market competition. "New" means new designs, advanced composition and the constant improvement and updating of products. "Good" means high-quality, good functions, ease of use, comfort, safety and reliability. "Beautiful" is to be attractive and in good taste, color-coordinated and to possess not only internal use value but also the external value of being appreciated. "Inexpensive" is low prices, to set the prices of high-grade products low so that those with low incomes can afford them. If the product mix in light industry of our province is readjusted this way, then it can meet the needs of the various income levels and the multilevelled consumption of the special economic zones, cities, overseas Chinese townships, plains and mountain districts, and it can also improve the livelihood of the people in our province's cities and townships while they spend less. It can strengthen the competitive power of the light industrial products of our province as well as better serve the people's livelihood.

As our province is a base for the country's light industrial production and neighbors on Hong Kong and Macao, there are many overseas Chinese and external communication is frequent. We believe that in the process of further readjusting the product mix in light industry, we have to actively develop three categories of new products, that is, "substitute-type," "joint-domestic type" and "export-type" products.

"Substitute-type" products are those which replace various "foreign goods." At present, in the coastal cities and overseas Chinese townships in our province, there are some small stalls managed by individual households selling "foreign goods" which they have brought into our province through various channels. Some "foreign goods," because of their new designs, multiform styles, bright colors, ease of use and beautiful packaging, attract many consumers. This will inevitably affect the market of some of our province's light industrial products. We should seriously analyze, dissect, study and remanufacture the food, clothing and consumer-goods items in the "foreign goods" market so that in the process of readjusting the product mix, we can rapidly produce all kinds of high-grade and new "substitute-type" products and bounce out the "foreign goods" that have squeezed in.

"Joint-domestic type" products are those new products which are jointly produced with other provinces or which are produced as a result of a linkup with merchants in other provinces in accordance with their consumers' needs.

Many of our province's light industrial, textile and handicraft products have for a long time been sent to brother provinces throughout the country. According to rough estimates of the First and Second Provincial Light Industry the value of products sent to other provinces in past years amounted to about one-fifth of the gross output value. In the last year or so, because of the rapid development of the production of consumer goods in other provinces and their adoption of certain measures to protect local industries, as well as the unsalability of some of our province's products, many light industrial products, except for sugar, newsprint, leather shoes and such well-known brand-name products as "Five Rams" bicycles, "South China" sewing machines and high-quality household electrical appliances, have exhibited a declining trend in being sent outside the province. But our province's foundation in light industrial technology is better and now it is also easier than some interior provinces to bring in technology. Among the consumers of some brother provinces, "Guangdong goods" which have been well-known for a long time enjoy a relatively good reputation. If it is done well, we have complete faith that we can continue to open up markets in other provinces. Therefore, we should investigate and study the business conditions, resources and technology of various brother provinces (especially those in the south-central, southwest and northwest regions), and actively discuss with them the rapid production of goods, particularly those needed by the high-consumption strata, that are difficult, or for the time being difficult, to produce in the other provinces and which can meet the new demands after market conditions in the brother provinces have changed. We shall use our province's superior technology and adopt varying forms of production such as cooperating to establish plants, joint production, plant and shop linkups, or production according to demand. All of this will make these "joint-domestic type" products continue to serve the people of various brother provinces.

"Export-type" products are those new products which can help in expanding overseas exports. Our province's export of light, textile and handicraft industries has a relatively good foundation, constituting about 60 percent of the province's total export goods procurement value, and about one-quarter of the gross output of light, textile and handicraft industries. However, because of such factors as the impact of economic crises in capitalism, the inability of some of our products to fully meet the demands of overseas markets and the failure to start up sales in certain markets, our province's production of export goods exhibited a declining trend in the rate of increase last year. Those enterprises responsible for producing export goods should actively investigate the business conditions of foreign markets, get a grasp on overseas economic movement, understand the consumption psychology of overseas consumers and trends of market development, and energetically study, trial-manufacture, and produce new products that can further open up sales in overseas markets.

If the new "substitute-type", "joint-domestic type" and "export-type" products can be further readjusted and strongly developed, then our province's light industrial products can step by step formulate a new multilevelled and three-dimensional mix which will meet the needs of different areas and consumers. It can then conform more to the wishes of the broad masses of consumers and make light industrial production develop ever faster.

DOMESTIC TRADE

MARXIST MODE OF COMMODITY PRODUCTION A LEADING FACTOR OF SOCIALIST ECONOMY

Guangzhou YANGCHENG WANBAO in Chinese 4 Apr 83 p 2

[Article by Zhuo Jiong (0587 3518): "'Production Based on Marketing' Is An Objective Requirement of Commodity Production"]

[Text] Commodity production must go through a process of exchange--a process of marketing--in order to meet social needs. Hence, "production based on marketing" becomes an objective inevitability of commodity production. This is independent of man's will.

There is, however, a view at the present time which says that "production based on marketing" is of one-sided characteristics. It gives two reasons.

The first reason: From the viewpoint of macroeconomics--from the viewpoint of drafting an industrial production plan--it is not possible to look only at market needs. Because of the restraints on resources and energy, and a series of objective conditions, it is impossible to cook without rice, nor is it possible to do processing without energy. The state is in an acute shortage of and the market has an enormous need for industries producing materials and raw materials such as gold, silver, coal, petroleum, cement, etc. It is therefore still not possible at present to have "production based on marketing." The only possibility is "production based on resources." The market is also short of such materials as aluminum, electrolytic copper, and other products, but it is only possible to have "production based on energy," which means basing production plans on our capabilities of providing electricity, coal, petroleum, etc.

The second reason: From the viewpoint of microeconomics--from the viewpoint of an individual enterprise--the principle of "production based on marketing" is of one-sided characteristics too. Capitalist enterprises map out plans in compliance with a principle of "production based on marketing." We too are talking about "production based on marketing." Doesn't this mean that there is no distinction between our enterprises and capitalist enterprises?

I am of the opinion that this is a misunderstanding of "production based on marketing." First and foremost, any production, including commodity production, must possess definite conditions of production, namely, material conditions of production and labor force conditions of production.

Energy and resources are material conditions of production. A major premise of commodity production is that the products manufactured must definitely be marketable. If a product cannot meet the needs of a society, because of inadequate material conditions of production, it merely explains that marketing of the product is out of question, but this cannot constitute a negation of the principle of "production based on marketing." Conversely, if the conditions of production are very adequate and abundant, the products manufactured could face a situation of supply exceeding demand. In a situation like this, it is certainly not compatible with the requirements of commodity production to go ahead with "production based on marketing." It is therefore unscientific to nullify "production based on marketing" by starting out from a presentation of views that the material conditions of production are inadequate.

Next, "production based on marketing" is but a common principle of commodity production, and it does not involve questions of capitalism and socialism. For all that, the capitalist commodity production and the socialist commodity production are determined by two different systems of ownership of the means of production. Capitalism advocates private ownership of the means of production, in which every commodity producer acts as he chooses and competes freely, thus inevitably plunging production into an anarchic state. It is impossible for their "production based on marketing" to achieve a planned and proportionate development. It was precisely under a slogan of "market competition" and "production based on marketing" that many units blindly produced years ago commodities enjoying brisk sales in the market, such as, wrist watches, cigarettes, electric fans, electric meters, radios, etc. This type of "production based on marketing" emanated not from the principle of "production based on marketing" itself, but from the capitalist mode of "production based on marketing." An implied meaning of "production based on marketing" is that commodities must be marketable and sold. The stock-piling of unmarketable products, which results from a blind competition of all, is precisely the outcome of violating the principle of "production based on marketing."

Why is it that some comrades have developed this misunderstanding? It is because of the lack of a concept on general commodity production, of a habitual practice of confounding our commodity production with the capitalist commodity production. Theoretically this can very easily give birth to a misunderstanding. What, then, is meant by general commodity production? Here an understanding of the Marxist viewpoints is of paramount importance to our comprehension of commodity production. Marx said: "Commodity as a circulating product, no matter on what basis of production modes it is produced--whether produced on the basis of a primitive community, or on the basis of slavery production, or on the basis of small peasants and petit bourgeoisie, or on the basis of capitalist production--does not change its nature as a commodity. As a commodity, it must go through a process of exchanges and a transformation of forms." (Capital, Volume III, page 363) This explains that general commodity production has no connections with modes of production, nor has it any relationship with ownership of means of production. General commodity production requires a process of exchanges. For quite a long period of time our political economy has not

made a publicity of this viewpoint of Marx, and this results in confounding the socialist commodity production with the capitalist commodity production and in creating a theoretical confusion. A manifestation of this act of confounding is mingling the capitalist commodity production mode of "basing production on marketing" with our commodity production mode of "basing production on marketing." This confounding also finds manifestation in the law of value. Today, when commodity production is flourishing, it is permissible to say that there is no country whose commodity production can satisfy its own needs. For example, ours is a country with 800 million peasants, yet our food production still cannot meet the needs of people of the whole country, and it remains necessary for us to import a definite quantity of food. In order to meet a nationwide need for food, we require not merely "production based on marketing," but "procurement based on marketing" as well. Is this "procurement based on marketing" meant to be a nullification of the fact that our commodity production is a planned production? Certainly not. The law of value of commodity production demands that production of different categories be developed proportionately. For, if not developed according to proportion, the value of a portion of the products cannot be realized. However, in the conditions of capitalism, commodity production cannot be developed proportionately, and there is even a resurgence of economic crisis, because of the existence of an unconquerable anarchic state of production. Without making an analysis, we make the law of value bear the blame for this evil. This is entirely a misunderstanding, and it's now time to eliminate this misunderstanding.

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DOMESTIC TRADE

COLLECTIVE, INDIVIDUAL RETAIL, SERVICE TRADE SUPPORTED

Yinchuan NINGXIZ RIBAO in Chinese 21 Apr 83 p 3

[Article by Liu Tang [0491 1016]: "Actively Develop Collective and Individual Commercial Retailing and Service Trade"]

[Text] The party Central Committee and the State Council recently pointed out: While promoting both state-run and supply and marketing collectives' commerce and services, we should at the same time actively develop collective and individual commercial retailing and service trade and use this basic guiding thought in developing socialist commerce and service trade, in adopting diversified economic forms and diversified modes of business operation, and in opening different channels of circulation and service.

The leading position of state-run commerce in our country is determined by the basic character of socialist economy. Consolidation and development of state-run commerce is a reliable guarantee for adherence to the socialist orientation, strengthening the united socialist market, promoting production and economic prosperity, and satisfying the needs of consumption. However, because of the low level of productive forces, the uneven development in different regions and, above all, the huge territory and population of our country and the large and complex demands in our people's livelihood, there should be a coexistence of different economic forms with state-run commerce in the leading position along with the active development of collective and individual commercial retailing and service trade during the long period of circulation. The guiding thought in developing collective and individual commercial retailing and service trade, in my opinion, may be better understood if the following factors are taken into account.

First, this is necessitated by the present stage of development of our productive forces. The uneven and multilevel nature of the development of productive forces will determine the coexistence of different economic forms in our country for a long time to come. Different economic forms in turn determine the existence of different forms of exchange and circulation. Way back in 1956, when the socialist transformation was basically completed, Comrade Chen Yun already pointed out: "The situation of our socialist economy will be like this: In industrial and commercial

operation, the state and collective sectors will be the main bodies; however, there should also be an individual sector of some magnitude. This individual sector will serve as a supplement to the state and collective sectors." Because of the existence of collective and individual commerce and service trade, the market was flourishing and the broad masses enjoyed greater convenience in their daily life. However, under the "leftist" guiding thought afterward, being "bigger" was interpreted as being advanced, and being "public" meant being superior. The need for changing the relations of production, for "escalation," and for "transition" was one-sidedly stressed, while collective commercial and service outlets were arbitrarily abolished or merged. Individual peddling was also banned and many different channels of circulation were blocked or even destroyed. State-run commerce thus enjoyed a monopoly. Compared with 1957, the volume of commercial retail sales in our region in 1978 increased 5.5-fold, while the commercial outlets reduced by 53.8 percent. Thus the channels of commodity circulation became narrower and caused great inconvenience in people's daily life.

Since the Third Plenary Session of the 11th Party Central Committee, the national economic readjustment and the implementation of various policies have brought great development in industrial and agricultural production, followed by the appearance of many different economic forms, different modes of business operation, and different channels of circulation in an atmosphere of prosperity and vitality. By the end of 1981, the commercial and the food-and-drink service outlets totaled 8,487, a 3.7-fold increase over 1978, and the personnel numbered more than 49,000, a 2.5-fold increase over 1978, including more than 4,400 collective and individual outlets with more than 12,000 workers. In 1978, there were only 63 cooperative stores with a total personnel of 1,288. The development of commerce and the service trade in many different economic forms has promoted production, enlivened the market, brought about economic prosperity and provided more convenience in people's daily life.

Second, this is a natural requirement of the position and role of commodity circulation in economic activities. Marx said: "The depth, breadth and mode of exchange are all decided by the development and structure of production." The diversified forms of ownership in the sphere of production in our country requires correspondingly diversified commercial forms. This is necessary not only for the development of productive forces, but also for meeting the many different social needs. Collective and individual commerce and service trade, which are spread out everywhere in the rural and township areas, have the characteristic of being small and flexible, and are suitable for the present commodity production. From the standpoint of social needs, we can see that whatever the level of productive forces may be, human needs are always diversified and state-run commerce cannot possibly meet them all. This is where collective and individual commerce and service trade can fill the gaps. In this respect, collective and individual commerce is an assistant of, and a supplement to, state-run commerce. Instead of playing a prefatory role, this supplement is necessary and useful. Therefore, we must not only highly regard the position and role of collective commerce, but also encourage due development of individual commerce in commodity circulation.

Third, this is consistent with our national conditions and helps solve the problems of employment in the cities and surplus labor in the countryside. We have a large population and a weak economic foundation, and there are problems of employment in the cities and surplus labor in the countryside. These are the outstanding problems at present and will be so for some time to come. The development of collective and individual commerce and service trade requires not only less investment (and even no state investment), but also less time, while providing more job opportunities. According to statistics, a total of 995 outlets serving production and providing labor service had been set up and more than 16,000 persons were employed by them by the end of 1982. In Dongfeng Commune, Wuzhong County, the per capita acreage is less than 1 mu, and there is a surplus of labor. At present, 327 households are engaged in peddling and 59 others have set up their own vendor stalls. Their total income amounted to nearly 500,000 yuan, the per capita income was more than 50 yuan. The expansion of collective and individual commerce and service trade has not only promoted commodity sales and speeded up the withdrawal of currency from circulation, but also increased people's income and reduced the social burden.

Although the development of collective and individual commerce and service trade benefits the state and the people, there are still strong resistance and problems. The main problems are as follows: First, because of the ignorance of the position and role of collective and individual commerce and service trade among the people, there is discrimination against, restriction on, or even hassling or attacks on them. Second, because of the "leftist" ideology, state-run retailing is "afraid of competition," state-run wholesale is "afraid of confusion," and the collective and individual traders are "afraid of a policy change." For these reasons, they cannot act boldly or actively. Third, there is no guarantee of sources of supply for collective and individual traders, since they are not allowed to deal in allocated commodities or in goods in short supply, and are only supplied with overstocked goods. The solution of these problems involves important policy issues and many other related problems, and will require a great deal of work. However, as long as we conscientiously implement the relevant directives of the party Central Committee and the State Council and follow the leadership of the party committees and governments at various levels, and provided all departments can cooperate closely in working out their plans and overall arrangements, and promptly solve the problems involving policies and actual work, the collective and individual commerce and service trade in the urban and rural areas of our region can certainly be rapidly developed.

9411

CSO: 4006/534

DOMESTIC TRADE

PROVINCIAL SYMPOSIUM ON COMMERCIAL REFORM HELD

Fuzhou FU JIAN RIBAO in Chinese 24 Apr 83 p 1

[Article by Chen Wenrui [7115 2429 3843] of the Provincial Finance Staff Office: "Actively Substitute Tax Payment for Profit Delivery, Continue To Improve the System of Responsibility for Business Operation--Provincial Government Held Symposium on Experiments in Commercial Restructuring"]

[Text] The provincial government recently held a provincial symposium on experiments in commercial restructuring. The participants studied the development of these experiments, summed up and exchanged experiences, and discussed the question of paying taxes in lieu of turning in profits, and of continuing to improve the system of responsibility for business operation among the commercial retailing enterprises.

After the discussion, the comrades in charge of commercial restructuring in various prefectures (municipalities) and the experimental counties (municipalities) fully affirmed the experiments in the system of responsibility for business operation. From more than 1,200 units which have signed contracts of responsibility, we can in most cases see a striking change as shown by the higher morale of the cadres and workers, the improvement of their service, the increase in their volume of business and profits, and the change from loss of profit among some enterprises and stores which had incurred losses over long periods. What is particularly noteworthy is that many party and government leading persons have personally participated these experiments. Many backbone elements have been assigned to keep in constant touch with realities in order to detect and solve problems. They have provided useful experience in the substitution of tax payment for profit delivery and in further improving the system of responsibility of business management. After summing up and exchanging experiences, the participants pledged their determination to continue these experiments, to preserve the present excellent situation in commercial restructuring and to keep up the healthy development of restructuring.

The participants listened to the report on the national meeting on paying taxes in lieu of handing over profits and held a warm discussion on the problems involved, such as the problems in the system of responsibility for business operation among the commercial enterprises. It was unanimously

agreed that the change from handing over profits to paying taxes is an important reform in the system of economic management, and is a policy decision by the central authorities--a policy decision which must be carefully carried out with a united purpose and united action and in a planned and systematic way. The participants also gained a better insight into the relationship, as well as the difference, between the substitution of tax payment for profit delivery and the responsibility of the enterprises for their management. The so-called substitution of tax payment for profit delivery in effect means a change in the form of contribution to the state by the enterprises, but not in their obligation to make the contribution. The so-called system of responsibility for business operation has two different meanings: first, the responsibility of the enterprise to the state; and second, the enterprise's internal responsibility. The former means the responsibility to hand over the profits after paying all taxes according to regulations, while the latter means a system of economic responsibility set up within an enterprise--a system which included not only profit but many other economic targets as well. The change from responsibility for profit delivery to responsibility for tax payment marks a further development of the experiments in the system of responsibility for business operation. Despite certain imperfections at an earlier stage, the experiments in the system of responsibility for business operation made great achievements in setting up various economic indices and in various basic tasks in enterprise management. They have created favorable conditions and provided useful experience for the substitution of tax payment for profit delivery. Such a substitution will further help the enterprises in establishing and consolidating the system of responsibility for business operation. It is not contradictory to the system of responsibility for business operation since both actually supplement and promote each other. The system of responsibility for business operation is the foundation which must be firmly built before the relationship between the state and the enterprises can be strengthened. Substitution of tax payment for profit delivery helps to set in motion the establishment and consolidation of the system of responsibility for business operation within the enterprise. The participants expressed their determination to proceed from the overall situation, to sum up their experiences carefully, and to carry out this reform well. They also studied certain problems that may really crop up in the course of substituting tax payment for profit delivery among the experimental units, and offered their opinions for the rational solution of these problems. As to the small number of enterprises which had difficulties in adapting themselves to this change, their substitution of tax payment for profit delivery can be, subject to approval, postponed until next year, provided their profit quotas are reasonable and most of the profits go to the state.

The participants also discussed the problems which the experimental units should note in commercial restructuring. With firm adherence to the socialist orientation as a prerequisite, they stressed the need for "one synchronization," meaning the synchronized substitution of tax payment for profit delivery with the adoption of the system of responsibility for business operation; "two combinations," meaning the combination of

restructuring with the all-round reorganization of the enterprises and the combination of commercial and financial restructuring; "two simultaneous actions," meaning attending to reforms and expanding the spheres of procurement and marketing; and the need to set the market in order and to improve the quality of service in an effort to give satisfaction to the needs of the state, the enterprises, the workers and the consumers.

The participants held that since commercial restructuring is an important policy issue which involves a wide range of problems and fairly heavy tasks, there should be all-round planning and strong leadership. Under the unified leadership of the party committee and the government, there should be strong and competent functional organs and active cooperation and close coordination among the departments concerned in order to ensure the smooth progress of commercial restructuring.

Comrade Hu Hong [5170 1342] came to address the meeting before its conclusion.

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CSO: 4006/534

FOREIGN TRADE

SHANGHAI CATERS TO TOURIST TRADE

Shanghai WEN HUI BAO in Chinese 21 Apr 83 p 1

/Article by Shi Jin /2514 6651/: "Increase in Tourist Facilities, Renovation of Tourist Attractions; Shanghai's Tourist Trade is Flourishing"

/Text/ The Shanghai tourist trade is growing constantly. From 1979 to 1982 the total number of overseas Chinese and foreign tourists and compatriots from Hong Kong and Macao was over 840,000 and the accumulated income of the tourist industry is also increasing constantly, with the income from 1982 making up one-eighth of the gross foreign exchange from tourism nationwide.

Shanghai's facilities for tourists are increasing constantly. Since 1979, through rebuilding and expansion, the number of hotels catering to foreign tourists increased to 16, and the Longbai Hotel and the Shanghai Guest House were newly built, increasing the number of beds more than two-fold. These high class hotels all have climate control and closed circuit television facilities, and the Shanghai Guest House also has an advanced sound system and computers.

Shanghai's parks and cultural tourist attractions have all been renovated in recent years. The site of the Central Committee's "First Congress" and the Yuyuan /6276 0954/ have both been maintained and put in order; the famous south China Buddhist Longhua Temple and ancient pagoda have also undergone rebuilding and renovation; the Huilong Pool, Confucius Temple, and Qiuxia Garden in Jiading County and the Zuibai Pond and Square Pagod in Songjiang County have also been repaired. The Qinpudian scenic area is not undergoing construction. There are now more than 400 tourist spots in Shanghai.

In 1979, the Shanghai Tourism Specialist School was established to suit the constant growth of tourism. It is China's first technical school for training tourist specialists. Over 340 trained persons have already been sent out for tourist service in Shanghai and neighboring provinces. Beginning this year, it will also take on the task of training upper echelon managers for the State Tourism Bureau.

8226

CSO: 4006/535

FOREIGN TRADE

PROGRESS IN UTILIZATION OF FOREIGN FUNDS REPORTED

Beijing JINGJI RIBAO in Chinese 30 Apr 83 p 1

[Reported by Chu Baochun [0443 0202 2504]: "Further Develop the Four Modernizations Via Many Channels and Various Forms--Our Country Has Progressed in the Planned Absorption and Utilization of Foreign Funds"]

[Text] Ever since the 3d Plenary Session of the 11th Party Central Committee resolved to implement the economic open door policy, our country, through many channels and employing different methods, has, in a planned way and with discrimination, absorbed and utilized foreign funds, achieving the following varied results.

By the end of 1982, the country had established 48 sino-foreign joint ventures (excluding the 35 in the 4 special economic zones in Guangdong and Fujian), with a total investment of \$222.98 million, absorbing in it a foreign investment of \$102.54 million. These 48 sino-foreign ventures are scattered in 15 provinces, cities and autonomous regions, and include such industries as machine, electronic, electrical, textile, light, food, drug manufacturing, tourism and service, plant cultivation, rental, foreign trade, feed processing, timber processing, calculator service and petroleum drilling service. Of these, there are six relatively large projects with a total investment of more than \$10 million. Among those joint ventures that have begun operation, the products of such companies as the Sino-French Winery of Tianjin, the Jianqiao Enterprise of Fuzhou, Beijing Aviation Foods, Xihu Rattan Products of Hangzhou, Quanzhou Artificial Flowers, Guangming Animal Husbandry, Guangdong-Hunan Qiangfeng, China Rapid Elevator, Furi Television, Tianshan Woolen Textiles of Xinjiang, and the Shanghai United Woolen Textiles have entered the international market and gained an excellent reputation.

The country has developed 790 cooperative management projects and absorbed foreign investments of more than \$2.7 billion. Most of these are in Guangdong. Seventeen of these have investments of more than \$10 million and include the Garden Hotel in Guangzhou, Lidu Restaurant and Kunlun Restaurant in Beijing, White Swan Hotel and Xianggang Hotel in Guangzhou, China Technology Exchange Center and Chengbian Oil Palm Cultivation Company in Hainan.

The country has developed 869 compensatory trade projects which have brought in equipment funds of more than \$700 million. The larger ones are General Tires of Guangzhou and the exploration of antimony mines with Rumania.

The China Ocean Petroleum Co has signed five contracts for the cooperative exploration of petroleum resources in certain parts of Bo Hai, Beibu Wan and Niaoze Hai with several petroleum companies of Japan, France and the United States. The Chengbei petroleum fields which are being jointly developed with Japan have already hit many high-yield gas wells and the prospects are encouraging.

As for the utilization of loans from foreign governments and international financial circles, our country has signed agreements with the governments of Japan, Kuwait, Denmark, Belgium and Italy, as well as with the World Bank and the Agricultural Development Fund of the United Nations. There are more than 30 definite projects, with a promised sum of nearly \$6 billion. At present, construction projects related to these projects are proceeding smoothly. The completion of these projects will greatly promote our country's economic readjustment and the development of the four modernizations.

12380

CSO: 4006/560

TRANSPORTATION

SUPPORT FOR LIGHT, TEXTILE INDUSTRIES BY TRANSPORTATION DEPARTMENTS

Beijing JINGJI RIBAO in Chinese 21 Mar 83 p 1

[Article by Jin Jiao [6855 4255]: "Priority in Transportation of Light and Textile Industrial Materials Guaranteed"]

[Text] The railway and transportation departments everywhere are actively implementing the policy of priority in transportation for materials needed for light and textile industrial production as well as light and textile industrial products in an effort to support these industries. According to incomplete statistics, the average daily volume of light and textile industrial materials last year was more than 4,790 carloads, 7 percent over the planned volume. Recently, the railways and communication-transportation departments called on their affiliated units to sum up and make use of their past experiences in giving priority to light and textile industrial materials, and to continue to do this job well in order to ensure the on-time transportation of these materials.

In the opinion of the departments concerned, the experiences in handling these priority cargoes were as follows:

--The freight handling personnel of the basic-level transportation units frequently visited the factories, mines, enterprises, commercial warehouses and the rural communes and production brigades to find out about the raw materials, fuel, production equipment and the accessories and spareparts needed by the light and textile industrial enterprises as well as their products, include them in their priority transportation plan, and then arrange the transportation service accordingly.

--Many railway stations and harbors always gave priority to light and textile materials throughout the entire process of transportation, including the transportation plan, the acceptance of cargoes, the dispatch of cars (ships), and loading and unloading. The railway departments also arranged for special trailers to pick up loose cargoes on the way, while the highway departments also stepped up their work in handling both large and small shipments at ports and railway stations.

--In Shanghai, Tianjin and Jiangsu where the volume of light and textile products to be transported to other places is large, the railway departments would increase the number of boxcars to be dispatched. The boxcars were to be used for light and textile products as much as possible.

--The Ministry of Railways and the Ministry of Communications were in direct control of those light and textile industrial materials that had to pass through restricted railway sections or require combined land and water transportation, and arrange for their priority.

--The railway stations and ports always gave priority to the handling of light and textile products shipped in bulks, and guaranteed their safe transportation.

--The system of responsibility in the form of contracts for loading and unloading were gradually enforced so as to encourage civilized loading and unloading and standardized operation.

9411

CSO: 4006/477

TRANSPORTATION

EXPLOITS OF BUILDERS OF ZHICHENG-LIUZHOU RAILWAY EXTOLLED

Beijing GONGREN RIBAO in Chinese 24 Jan 83 p 3

[Article by Lu Jingyu [4151 4842 6877]: "Steel Arms Drilling through Thousands of Rolling Mountains--A Visit to the Heroic Builders of the Zhicheng-Liuzhou Railway"]

[Text] The train with a brandnew Dongfeng diesel locomotive had just sped across the Chang Jiang River on the bridge at Zhicheng and was now going around the slopes of Wuling Mountain. The railway was like a beautiful ribbon girdling an enchanted peak. All along the way were high mountains, thick forests and a series of bridges and tunnels. Building such a railway was no easy task.

While traveling along this line, people cannot help but pay tribute to those heroic builders who had battled here for years. I wanted to visit them in order to learn how they had left their home villages far away to fight their battles here for fully 12 years, and how they had used their steel arms to drill through thousands of rolling mountains.

It was the workers of the No 4 Engineering Bureau under the Ministry of Railways who fired the first shot. In September 1970, a force of more than 45,000 roadbuilders of the No 4 bureau came to western Hunan to joint the battle in building the Zhicheng-Liuzhou Railway. They first joined with militiamen in cutting a traffic lane on a steep cliff and then built a suspension bridge across the Feng Shui, a river of violent torrents. When they needed air for cutting a tunnel, there was no place to put the air compressor, and the workers had to put them on a boat. When they had to bore holes for blasting, they could not find any place to stand. They had to tie ropes around their waists and hang suspended in mid-air when they applied the pneumatic drills. On one occasion, there was a sudden rush of mountain torrents which flooded the traffic lane and stranded more than 30 workers at the worksite. They showed no fear in the face of danger. When they were thirsty, they drank water from the Feng Shui; when they were hungry, they ate wild berries; when they were cold, they burned some tree branches. This was how they managed to carry on for 3 days. In the 24 months from January 1973 to December 1974, the workers of this bureau and the militiamen set a fine record of cutting 100 meters of tunnel and received a commendation from the Hunan Provincial Command which was directing this operation.

The train passed through one mountain after another and arrived at the station in the northern section of Dayong. I called on the comrades of the construction department of No 2 Engineering Bureau under the Ministry of Railways, and listened to their narration of a crash project--the building of a reserve power generating plant by the workers of the Seventh Team and the hydropower team.

In April last year, when the Ministry of Railways had completed its engineering inspection of the Zhicheng-Liuzhou line, it was decided to revise the design for the power plant and the work had to start immediately. This urgent task was accepted by some 200 workers of the Seventh Team and the hydropower team. They started work in early July, and, working day and night, completed the main engineering task by the end of October. The three generating units of the power plant weighed more than 40 tons, and had to be dragged up to the engine room from the foot of a hill. A large towing truck was needed, but such a truck could be found only in Chengdu where No 2 Bureau was located, several thousand miles away, and it could never arrive in time. Besides, it would cost a lot of money to have it brought here. To be sure that the project would be ready for operation in the New Year, they decided to use indigenous methods. They laid metal plates on the slippery road, loaded the generating unit on a small metal boat, and slid the metal boat on the metal surface. All the workers, technicians and cadres pooled their strength and with the use of one tractor and two trucks, they finally towed the three generating sets to the power plant from the foot of the hill in 2 1/2 days. The installation of equipment was a success.

The train then left the northern station in Dayong, headed south, and soon entered a tunnel. The section of railway from Houping to Luoyixi is in the Wuling mountain range. It has to pass by dangerous gullies and perilous cliffs and to cross rivers of rapid torrents. In this section of some 22 kilometers, there are altogether 31 bridges and tunnels of a total length of 19.7 kilometers, or 90 percent of this section. Looking out of the window in the railroad car, I could see a number of steep cliffs criss-crossed by deep gullies and rivers. Though physically in the railroad car, I seemed to feel that I was a steep cliff watching the low clouds floating by. Below was a vast ocean of fog. This is a remote and backward area with very poor communications facilities. It was a place of exile in ancient times and was frequented by bandits in the old society. When the track was laid in this section, the workers had to erect their sheds in the mountain or by the river side. The motor road was a series of twists and turns like a ribbon joining a group of peaks together in Wuling Mountain. The heavy pieces of mechanical equipment could not be brought in by trucks; they only way was to drag them along by brute strength. In this difficult section, the builders showed great courage in battling the dangerous cliffs and angry rivers as well as the inclement weather. They triumphed over the slippery mountain trails, landslides, accumulations, offset ridges, fault planes and underground water, and set a proud monthly record in tunneling. They built 17 bridges across treacherous gullies and rivers, cut through 14 mountain peaks, and built more than 30 tunnels. When the train ran through this section, a bright day became almost pitch dark night.

There was a memorial tablet at Dayong station north of Luoyixi and another on the hilltop opposite the Shirongxi station. These were the burial places of the roadbuilding martyrs. Rest in peace, respected martyrs! You have shed your blood in building the Zhicheng-Liuzhou Railway which has turned a deserted region into a thoroughfare. This remote region is now on its way to prosperity and will become a wealthy mountain village!

The building of the Zhicheng-Liuzhou Railway took 13 years, and this was where many people worked day and night, giving up their regular meals and sleep for 12 years. Engineer Wang Yinsheng [3769 6855 3932] of No 4 Survey and Design Academy under the Ministry of Railways was one of these comrades. As the designer of the roadbed, he left his footprints along the whole northern section of the railway throughout the 12 years. He joined the workers most of the time and his job was to discover and correct whatever defects he could find in the roadbed. One section is called Shadaowan where, in the rock formation, the mud shale is sandwiched between pagoda layers. That was why landslides occurred frequently. Little Wang and the workers tried to find some way to overcome the slides, and, after repeated experiments, finally decided to use slide-resistant piles. More than 50 piles, were driven into the 350 meters long slope at Shadaowan, and the danger of landslides was overcome. Furthermore, the construction cost here was 30 percent less than for roadbeds built according to the usual designs.

When the train had passed through the tunnel at Yinjiangjie, a builder told me that the episode of the great battle of "waterfall curtain cave."

The Yinjiangjie tunnel is the second longest tunnel on the Zhichen-Liuzhou Railway. In March 1972, when the workers were cutting a tunnel they found a cave behind a waterfall. The water was falling like a heavy downpour and flowing down below at the rate of 2 tons per minute. The drainage ditch was always filled with water more than knee-deep, and the landscape was enveloped in mist. When a worker bored holes for blasting, water would sometimes spurt out and splash against his face as soon as the drill was withdrawn. Sometimes, even though the dynamite had been inserted, a water jet would push it out with a "whizz." On one occasion, several explosives failed to go off, and the progress of work was seriously handicapped.

The workers of the 18th Team of the Eighth Department of No 5 Engineering Bureau under the Ministry of Railways were not scared by this predicament. They proudly said: "We will trample the difficulties underfoot and bear the heavy burden on our shoulders. We will eliminate the obstacles in our way and storm the pass of duds." Vice team leader Yu Jinquan [0151 6855 3123], nicknamed "Little Iron Man," soaked to the skin, worked inside the tunnel for several days and never left his post. In every blasting, he was the first to go into the thick smoke and wade in the water to find his way to the face. On one occasion, he fainted at a distance of about 50 meters from the face, and the comrades behind quickly carried him out. When he woke up, he again dashed in despite all the efforts of his comrades to restrain him. After many investigations and experiments, he finally overcame the difficulties with dud charges and the underground water. The team's mission was accomplished ahead of schedule.

In addition to the railway workers, more than 660,000 militiamen also took part in these fierce battles. On one occasion, when they were working in a tunnel in Yujiawan near Rongan County, hundreds of cubic meters of weathered rocks fell to block up the exit, and 21 persons were trapped in a tunnel some 20 meters long. The situation was precarious, but they disregarded the danger. Some of them continued to lay the sleepers; others used props to strengthen the frames as a preparation for "breaking out of the encirclement." They even used the precious little air sent in from outside to work on their pneumatic drills. Through the help of the comrades in arms outside the tunnel, they finally overcame the cave-in and triumphantly "broke the encirclement."

The train sped on, producing echoes from the surrounding mountains as though they were singing the praises of the heroic builders: It is you whose steel arms have drilled through thousands of mountains and built hundreds of bridges! It is you who have ordered the flood and the steep cliffs to make way! Now the Zhicheng-Liuzhou Railway is in operation. The Tujia lads, Miaoja lasses, and people of Dong and Tong, all with smiling faces, are greeting the arrival of the iron dragon now crossing the mountain ranges. However, before being able to share the joy of the train's maiden trip, these heroic builders were already on their way to fight other battles.

9411

CSO: 4006/477

TRANSPORTATION

COAL-LOOTING CAUSES SERIOUS PROBLEM IN SHANXI

Beijing CONGREN RIBAO in Chinese 31 Mar 83 p 3

[Letter to editor from Yuan Zhongliang [5913 6988 0081] of DATONG NEWS AGENCY on Coal-Looting in Datong Municipality]

[Text] The stealing of coal on short-distance truck hauls in Datong Municipality, Shanxi, has now developed into open plunder, and huge quantities of state property have passed into the hands of private individuals. At the same time, it is creating transportation hazards.

Datong is one of the important coal bases in our country. Here, coal mines, large and small, are spread all over, and in addition to railway transportation, coal-hauling trucks are running almost in a continuous stream along the highways. Many special trucks are making as many as five round trips between the coal mines and the storage places each day.

At first, some people secretly got on the coal-hauling trucks in their parking places and stole some coal. Since no effective preventive measures were taken, the stealing has developed into open plunder. There is now organized looting of state coal, sometimes by groups of 3 or 5, and sometimes by bands of 50-60 persons. These looters usually gather at the turns or steep slopes of highways, at the river side, the intersecting points of highways and railways, or near the coal storage depots. As soon as the truck slows down, they close in and use their hooks to pull down large chunks of coal. Some of them climb up on the truck and use their shovels. Everyday, no less than 1,500 special coal trucks pass through Datong, and at the rate of 100 kilograms each truck, the total loss will amount to 150 tons a day or 54,000 tons each year. If the looting from the ordinary trucks is taken into account, the loss would be much heavier.

Coal-looting has intensified since early winter last year. Besides the able-bodied, even old men, old women and small teenagers have taken part in the looting. In Fengzhen County, Nei Menggol, the peasants even brought with them whole convoys of horse-drawn wagons for the loot. According to the statistics of 8 December supplied by the truck convoy of a mining company, nearly 10 tons of coal in large chunks were stolen in 1 day.

Such looting is not only a loss to the state, but is also apt to cause traffic accidents. Last year, incidents of people being killed or injured as a result of being run over by trucks or falling off moving trucks were quite common. In mid-March last year, an able-bodied male commune member of Guojiabo Production Brigade climbed up a truck to shovel down coal and fell off the truck. He lost both legs after being run over and was crippled for life. In May last year, the 14-year old son of Huo Riliang [7202 2480 0081], a retired worker on Hongqi Cement Factory, was trying to hook coal chunks off a moving truck. He was run over and killed. In mid-November last year, Yang Xueqiang [2799 1331 1730], a worker in Yungang Mine, climbed up a truck and tried to take away a large chunk of coal. He fell off and died on the spot.

Editor's note: Our correspondent has called at the Ministry of Coal Industry for news coverage. According to the Dispatching Bureau of that ministry, coal-looting is becoming serious not only on the highways, but also in many state-controlled mines, such as the coal mines in Zaozhuang of Shandong, Huainan and Huaibei of Anhui, Xuzhou of Jiangsu, and Pingdingshan of Henan. The coal which had been loaded on to trucks to be transported out of Huainan Coal Mine was frequently looted at the marshalling yard. The most serious incident occurred when a 50-ton coal truck was looted, leaving only 13 tons. In the marshalling yard of Wangfenggang in Huainan, a comrade was attacked and wounded by the looters. Near Kouquan Station under the Datong Mining Administration Bureau, there are scores of families "eating out of the hands of the railways." They are virtually professional experts in coal-looting.

Open looting of coal is tantamount to open looting of state property. It not only affects industrial and agricultural production and the sources of energy supply in people's daily life, but also seriously violates law and social order. The railway, communications, public security and other departments and particularly party and government leaders must exercise great care and take effective action to eradicate this practice.

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CSO: 4006/477

TRANSPORTATION

FIRST TRUCK PURCHASED BY ANHUI PEASANTS DELIVERED

Beijing GONGREN RIBAO in Chinese 6 Feb 83 p 1

[Article by Sun Yuchun [1227 3768 2504]: "First Jiefang Truck Delivered to Peasants"]

[Text] This morning, a 5-ton Jiefang Truck, decorated with colored streamers and carrying with it the good wishes of the vehicle workers for their peasant brothers, arrived at Xidian Production Brigade, Peian Commune, Luan County, Anhui Province, after traveling a long distance from Changchun No 1 Motor Vehicle Plant. Qin Maorong [4440 2021 2837], vice director of the plant, and Pan Rongzheng [3382 2837 3932], vice manager of a marketing company, made light of traveling thousands of miles to deliver in person their carefully manufactured truck to six peasants including Bao Chuanyou [7637 0278 0645]. This was the first truck ever sold to peasants for their own use.

On 4 January this year, this plant received a letter from Bao Chuanyou and the other five peasants about their intention to buy a truck with their pooled funds. This was the first experience for the plant in 30 years. From this letter, the plant party committee noticed the profound changes in the countryside and knew that these changes meant a new market for the automobile industry. To support these changes and to encourage the peasants to work their way to wealth, the plant party committee decided to give high priority to these peasants' request and selected the responsible cadres concerned to deliver the truck in person. At the same time, the cadres were to study and find out about the new demand on the automobile industry as a result of developments in the countryside, so that changes could be made to meet the market demands.

The letter from the six peasants about the private purchase of a truck produced a strong repercussion among the workers and staff members of the plant. They said: After the restructuring, our peasant brothers have really become wealthy and are now able to buy their own truck. This is very good. We must produce more and better vehicles to meet their requirements.

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CSO: 4006/477

TRANSPORTATION

TRAFFIC ACCIDENTS CITED AS WARNING TO BICYCLE RIDERS

Beijing BEIJING RIBAO in Chinese 20 Mar 83 p 2

[Article by Zhang Yunfeng [1728 0061 1496]: "Beware, Comrade Bicycle Riders!"]

[Text] Along with the rise in people's living standards, more and more people have purchased bicycles in recent years. According to statistics, there are now 3.8 million bicycles in our municipality, and because of the increase in bicycles, traffic accidents have also increased. The several recent accidents should serve as a warning to our comrade bicycle riders.

On 2 November at 1020 hours, a bicycle rider carrying two passengers was staggering along at approximately 1 kph from Daxing County on Huangwei Highway. A horse-drawn wagon and a motor car happened to be coming from opposite directions, and just when they were meeting, the bicycle suddenly fell over to the right. The person riding on the horizontal bar fell flat on the ground and his head was run over by the right wheel of the wagon.

On 12 February at 0645 hours, a cadre of a branch of the Beijing Motor Vehicle Plant was riding a bicycle with a faulty brake. When he reached Dongwan Road South in Zhaoyang Ward on his way from north to south, a 65-year old woman was just crossing the street. The bicycle rider quickly applied the brake, but it failed to produce any effect. So the bicycle went straight on and knocked down the old woman who died an untimely death.

On 16 February, shortly after 12 noon, a truck towing a trailer was passing through Haiding Ward. When it came near the front of Balizhuangcai Station in Fucheng Road, a female comrade on a bicycle was making a left turn from west to north and got into the lane reserved for high-speed vehicles. The truck driver immediately stepped on the brake and swerved to the left. But everything was so sudden and the distance was so short that the bicycle rider was knocked down and lay in a pool of blood.

On 18 February at 1245 hours, on the Jingzhou Highway, a female comrade was going from east to west in a hurry on a bicycle. When she came to the west of Banbidian Village, she tried to overtake a horse-drawn wagon and fell. Her head was hit by the mud guard of the left rear wheel of a passing heavy-duty truck. Because of the severity of her injury, she died before there could be any attempt by rescue.

According to the statistics of the traffic control departments, there were 25 fatal traffic accidents in February, and 14, or 56 percent of them, involved bicycles.

We can see from these traffic accidents, that some were caused by bicycles carrying extra passengers; others were caused by faulty brakes of bicycles, or by bicycles trying to overtake other vehicles; and still others were caused by bad weather conditions and careless riding....

Every bicycle rider should draw his lesson from these accidents. When you take your bicycle out of your house, ride it home, go to a movie or got to some appointment by bicycle, be sure to remember the traffic regulations and never take any chances. You should be a defensive rider and never try to race with motor cars or to cross their path, and thus avoid traffic accidents.

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TRANSPORTATION

PROBLEMS OF TRANSPORTATION IN YUNNAN DISCUSSED

Kunming YUNNAN RIBAO in Chinese 1 Apr 83 p 3

[Article by Yao Jianyou [1202 1696 0645]: "A cursory Discussion on the Question of Improving Communications and Transportation in Our Province"]

[Text] In his report on the Sixth 5-Year Plan, Comrade Zhao Ziyang said: "Concentration on key projects centered on those for energy and transportation so as to improve and reinforce these two weakest links in our national economy--this is a major measure for us to gain the initiative in developing the national economy and, therefore, a matter of vital significance for economic construction as a whole. Unless this problem is solved, the whole national economy cannot be revitalized, and the development of various individual sectors will be restricted and slowed down no matter how fast we would like them to be." From this, we can see the important place occupied by communications and transportation in the national economy.

As we all know, communications and transportation are important links in the national economy, and the production and exchange of commodities are inseparable from modern communications and transportation. If we study the history of economic development in our country and in foreign countries, we can see that economic development in communications and transportation. Of the 17 prefectures and municipalities in our province, only 6--namely, Dongquan, Qujing, Honghe, Chuxiong and Yuxi--and the areas accessible by railways or close to Kunming are fairly developed economically. The total industrial output in these 6 prefectures amounts to 80 percent of the total of 17 prefectures and their financial revenues account for 76 percent of the total provincial revenues. The economy in the other 11 prefectures, where transportation is not so well developed, is rather backward. This shows the importance of communications and transportation to our province's economic development, as we can see clearly from the following three aspects:

1. The transportation capacity is greatly inadequate for the increase in freight volume and large amounts of materials cannot be brought out in time. The outbound materials in our province rely entirely on two railways, namely, the Guiyang-Kunming and the Chengdu-Kunming railways. Only 50,000 tons can be transported out on these railways, but at least 5 million tons should be transported each year. Because of the inadequate transportation capacity,

large quantities of cured tobacco and other agricultural and sideline products had to be stockpiled until they spoiled. Furthermore, phosphate ores are badly needed everywhere throughout the county, but several large phosphorus mines and enterprises are operating only on and off, and fail to make full use of their productive capacity.

2. The structure of transportation is very uneconomical. In modern communications and transportation, water and pipeline are the most economic means of transportation. However, pipeline transport is nonexistent in our province, while water transport cannot play an active role, since the several rivers in our province all have rapid currents caused by the great difference in elevations. Furthermore, the river channels have not received much attention. Thus, our province relies mainly on railways and highways. However, the railways are short and of inferior quality, and their traffic capacity is small. Another disadvantage is that they are all concentrated in northeastern Yunnan, and only 26 out of 131 counties are accessible to railways. Therefore, railways still cannot play a full role as important economic arteries in our province. In most places, people can only rely on long-distance truck hauls. However, the quality of highways is poor, and because of the high gas consumption and the small loads carried by trucks, the transportation charges are generally higher than in railway transportation by more than 10-fold. In transporting huge loads over long distances, the production cost of industrial products in our province can hardly permit such high transportation expenses. That was why some places having materials and vehicles and waiting for these materials to be shipped out still could not have their transportation problem solved.

3. The industrial structure is not quite rational, since the raw-material industry is far ahead of the processing industry. More than half of the total industrial output value in the province in 1981 belonged to heavy industry; and in heavy industry itself, mining and tunneling and the raw-material industry accounted for 63 percent. In such a structure, the freight backlog for every 10,000 yuan's industrial output value is usually several times higher than in prefectures where the processing industry is more developed. According to the national industrial layout, Yunnan is a production base for nonferrous metal and phosphorus ores. In 1985, the volume of outbound freight will exceed the present capacity by 1.5-fold. The future situation of communications and transportation in our province will certainly improve along with the general nationwide improvement. However, we cannot simply sit down and wait for the nationwide improvement. In view of the present situation of communications and transportation in our province, people throughout the province have to make painstaking efforts to strengthen this weak link. First, we should gradually change the economic structure of our province, rely on science and technology, and make an effort to open new processing industry fields; and while striving for a slower increase in the freight backlog, we will endeavor to accomplish the task of "quadrupling" in the national economy. It would be very difficult to achieve synchronized increases in freight volume and in output value on the basis of old technology. We must rely on scientific and technological progress to lower the consumption of raw materials and primary products before transporting them out. By this means, we will be able to obtain larger increases in production with less freight backlogs.

Second, we should proceed with the reorganization of the communications and transportation enterprises in order to raise their management level, to fully tap their resources, and to gradually alleviate the strain on communications and transportation. The transport capacity of the transportation enterprises in our province at present is mostly below the designed level. In addition to such external causes as the quality of transportation lines and the technical equipment, there are also the internal cause of management. We must increase our speed in completing the task of all-round reorganization of enterprises within 2 years. How to organize and make good use of the vehicles in society is also one of the urgent questions to be studied in motor vehicle transportation in our province. For short-distance hauls below the county level, civilian transportation is a force to be reckoned with. This is dictated by the special geographical environments in our province. For the management of civilian transportation, we should adopt more flexible policies in order that it may better meet the needs of economic development.

Third, we must rely on technological progress in carrying out technical transformation for transportation enterprises. From now on, we should focus our efforts on the technical transformation of the existing enterprises. We must step up our work in the construction of railway stations to suit the requirement of long trains with their heavy and bulky loads and strive to quadruple our output value on the basis of increased transport capacity for the outbound materials in our province. For highway transportation, we have to accelerate the renovation of the existing fleet of vehicles and gradually develop them in the direction of larger sizes, higher speed and more energy-saving. On the basis of lowering transportation costs, we should lower transportation fares and at the same time step up the transformation of the existing highways, raise their grade and increase their traffic capacity.

Fourth, we should firmly adhere to the policy of walking on two legs, speed up the construction of communication and transportation facilities, and basically improve the transportation of our outbound materials. However, in either the construction of railways and highways, or the improvement and development of river channels, we must give play to the initiative of both the central and the local authorities and rely on the policy of walking on two legs. Therefore, the province must concentrate some funds to step up the work in transportation in the province in a planned and systematic way. After some years of effort, we are confident that the communications and transportation in our province can play the role of vanguard in our national economic

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TRANSPORTATION

VANDALISM DEPLORED IN READERS' LETTERS

Destruction of Road Signs

Harbin HEILONGJIANG RIBAO in Chinese 21 Mar 83 p 3

[Letter from Lu Zhengwan [6424 2398 2429]]

[Text] Comrade editor:

According to investigations, people have been willfully defacing, destroying or stealing the signs and other facilities on the highways and this situation is becoming very serious. In certain localities, these signs have been replaced several times a year, and yet these installations cannot remain intact. In the past several years, the new technology of directional light reflection, introduced from foreign countries, has been used on our road signs, and more than 3,000 of them, costing more than 100,000 yuan, have been installed in our Harbin-Heihe, Harbin-Tongjiang, Harbin-Luobei, Harbin-Suibin, Harbin-Dalian and Fuyu-Raohe trunk highways. Now more than half of them are missing, and the loss is serious. The 23 directional reflecting signs set up by Harbin Municipality have all been lost, and not many of those installed in Jiamusi Municipality and Huaquan and Jixian counties are left. This is not only an economic loss, but also a serious threat to traffic order and safety. According to statistics in 1982, the half-destroyed highway signs were responsible for more than 2,000 traffic accidents involving an economic loss of nearly 1 million yuan. In May 1982, a motorcar on the way to Xing-kaihu overturned with three fatal casualties, because the highway sign warning about a sharp turn was stolen. In March of the same year, the Qingyun Bridge on Boli Highway in Boli County was damaged by flood. Because the sign to block off traffic was stolen, a fire engine on way to the scene of a fire in the county fell off the bridge resulting in injuries to five persons and in a loss of more than 100,000 yuan.

Highway signs are an important means to direct traffic and ensure traffic order and safety. Complete and distinctive highway signs have a direct bearing on the traffic capacity of highways and the safety of people's life and property. Therefore, it is suggested that the road maintenance units increase their inspection rounds, introduce the system of responsibility, and improve the maintenance and control of road signs and other facilities so that they can be well preserved. All departments, government organs, plants, mines and

schools should disseminate the relevant policies and decrees among the broad masses of workers and people, and teach them to protect the highways and their facilities. All acts of destroying or stealing highway signs should be severely dealt with according to law by the departments concerned, so as to keep the highway installations intact at all times.

Stealing Bridge Railings

Harbin HEILONGJIANG RIBAO in Chinese 21 Mar 83 p 3

[Letter from Li Chong [2621 0330]]

[Text] Comrade editor:

Recently, the pilferage of equipment from the bridges in Linmi and Chengji lines has been fairly serious. According to reports from the maintenance section, equipment has been stolen from 14 unguarded bridges in the section. The stolen property included 34 concrete pedestrian planks, 4 safety inspection boards, 20 meters of steel railings for the pedestrian lane, two other railings, four signboards showing construction work in progress and 16 screws and nuts of various types. In mid-January this year, in the duty office of the bridge at the 105 kilometer marker, more than one-third of the 67 square meter roof was stolen on one occasion. On 2 February, a plank from the left pedestrian lane of a 50-meter bridge in the 20-kilometer Linmi Line and a 12-meter reinforced concrete railing were missing.

These problems seriously endangered the operation of the railway as well as the safety of the pedestrians. Therefore, I appeal to the broad masses of railway workers, rural commune members along the railway, the residents and students to severely punish those who steal from the railways and bridges in order to eliminate further stealing.

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SELLING HORSES, LARGE ANIMALS CAUSES TRAFFIC CONFUSION

Harbin HEILONGJIANG RIBAO in Chinese 21 Mar 83 p 3

[Letter from Wang Yuedong [3769 6460 2639]]

[Text] Comrade editor:

Following the changes in the modes of agricultural production in the countryside, the majority of production teams have adopted the system of allotting work to individual households, and more rural commune members are buying wagons and horses. Now the transactions over large animals can be seen in either the cities or the rural communes every day. This is the sign of a flourishing market which is good news. Unfortunately, there is no designated market place or people in charge of these transactions, and the sellers can set or raise the prices at will. Furthermore, the lack of designated locations for these transactions has led to confusion and even traffic jams. More disgusting still is the fact that some people are buying the large animals in one place and immediately selling them in another, thus reaping large profits. This has seriously disrupted the stability of prices and disturbed the market order. I hope the departments concerned will not only designate the locations of horse markets, but also assign some professional experts to supervise the market so that it will neither lose its vitality nor get out of control.

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TRANSPORTATION

BRIEFS

NEW MODEL BUS--The 12 solid, attractive and comfortable Model LN611 buses, manufactured by Dailian Bus Plant, will undertake the task of passenger transportation between Mingtiegai, Xinjiang, and Kalam, Pakistan. To ensure their suitability for the highway and climate at high elevation, the chassis of the buses were manufactured by Changchun Motor Vehicle Plant with 16 items of technical innovation in the welding of the vertical posts and the riveting of outer metal sheets. Inside the bus are installed heaters, electric fans, vacuum water tanks and first aid kits in addition to the soft and comfortable reclining chairs. Their outward appearance is elegant and attractive. [Text] [Beijing CONGREN RIBAO in Chinese 16 Mar 83 p 1] 9411

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